

LyondellBasell Industries N.V.  
Form 10-Q  
October 23, 2015  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2015**

**or**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 001-34726**

**LYONDELLBASELL INDUSTRIES N.V.**

**(Exact name of registrant as specified in its charter)**

<b>The Netherlands</b>		<b>98-0646235</b>
<b>(State or other jurisdiction of</b>		<b>(I.R.S. Employer</b>
<b>incorporation or organization)</b>		<b>Identification No.)</b>
<b>1221 McKinney St.,</b>	<b>4<sup>th</sup> Floor, One Vine Street</b>	<b>Delftseplein 27E</b>
<b>Suite 300</b>	<b>London</b>	<b>3013 AA Rotterdam</b>
<b>Houston, Texas</b>	<b>W1J0AH</b>	<b>The Netherlands</b>
<b>USA 77010</b>	<b>The United Kingdom</b>	
	<b>(Addresses of registrant's principal executive offices)</b>	
<b>(713) 309-7200</b>	<b>+44 (0) 207 220 2600</b>	<b>+31 (0)10 275 5500</b>
	<b>(Registrant's telephone numbers, including area codes)</b>	

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

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

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

The registrant had 449,443,823 ordinary shares, \$0.04 par value, outstanding at October 20, 2015 (excluding 128,991,260 treasury shares).



**Table of Contents**

**LYONDELLBASELL INDUSTRIES N.V.**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>Part I Financial Information</u>	3
<u>Item 1. Consolidated Financial Statements (Unaudited)</u>	3
<u>Consolidated Statements of Income</u>	3
<u>Consolidated Statements of Comprehensive Income</u>	4
<u>Consolidated Balance Sheets</u>	5
<u>Consolidated Statements of Cash Flows</u>	7
<u>Consolidated Statement of Stockholders' Equity</u>	8
<u>Notes to the Consolidated Financial Statements</u>	9
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	42
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	63
<u>Item 4. Controls and Procedures</u>	63
<u>Part II Other Information</u>	64
<u>Item 1. Legal Proceedings</u>	64
<u>Item 1A. Risk Factors</u>	64
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	64
<u>Item 4. Mine Safety Disclosures</u>	64
<u>Item 6. Exhibits</u>	65
<u>Signature</u>	66

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****LYONDELLBASELL INDUSTRIES N.V.****CONSOLIDATED STATEMENTS OF INCOME**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
<b>Millions of dollars, except earnings per share</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Sales and other operating revenues:</b>				
Trade	\$ 8,119	\$ 11,784	\$ 25,051	\$ 34,626
Related parties	215	282	613	692
	8,334	12,066	25,664	35,318
<b>Operating costs and expenses:</b>				
Cost of sales	6,465	10,118	19,891	29,950
Selling, general and administrative expenses	194	211	627	612
Research and development expenses	25	31	76	97
	6,684	10,360	20,594	30,659
<b>Operating income</b>	<b>1,650</b>	<b>1,706</b>	<b>5,070</b>	<b>4,659</b>
Interest expense	(85)	(92)	(233)	(280)
Interest income	8	13	26	26
Other income, net	10	3	35	20
Income from continuing operations before equity investments and income taxes	1,583	1,630	4,898	4,425
Income from equity investments	93	64	252	193
Income from continuing operations before income taxes	1,676	1,694	5,150	4,618
Provision for income taxes	487	434	1,468	1,242
Income from continuing operations	1,189	1,260	3,682	3,376
Income (loss) from discontinued operations, net of tax	(3)	(3)	(3)	1
<b>Net income</b>	<b>1,186</b>	<b>1,257</b>	<b>3,679</b>	<b>3,377</b>
Net (income) loss attributable to non-controlling interests	(1)	1	2	4
Net income attributable to the Company shareholders	\$ 1,185	\$ 1,258	\$ 3,681	\$ 3,381
<b>Earnings per share:</b>				
<b>Net income (loss) attributable to the Company shareholders</b>				
Basic:				

Edgar Filing: LyondellBasell Industries N.V. - Form 10-Q

Continuing operations	\$ 2.57	\$ 2.47	\$ 7.81	\$ 6.41
Discontinued operations	(0.01)	(0.01)	(0.01)	
	\$ 2.56	\$ 2.46	\$ 7.80	\$ 6.41
Diluted:				
Continuing operations	\$ 2.55	\$ 2.46	\$ 7.78	\$ 6.38
Discontinued operations	(0.01)	(0.01)	(0.01)	
	\$ 2.54	\$ 2.45	\$ 7.77	\$ 6.38

See Notes to the Consolidated Financial Statements.

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<b>Millions of dollars</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net income	\$ 1,186	\$ 1,257	\$ 3,679	\$ 3,377
Other comprehensive income, net of tax				
Financial derivatives:				
Gain (loss) on forward-starting interest rate swaps	(68)		12	(17)
Gain on cross-currency swaps	32		229	
Reclassification adjustment included in net income	5		(148)	
Income tax expense (benefit)	(8)		56	(4)
Financial derivatives, net of tax	(23)		37	(13)
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding gains (losses) arising during the period	(1)		(1)	1
Unrealized gains (losses) on available-for-sale securities, net of tax	(1)		(1)	1
Defined pension and other postretirement benefit plans:				
Reclassification adjustment for amortization of prior service cost included in net income	1	1	2	3
Net actuarial loss arising during the period				(16)
Reclassification adjustment for net actuarial loss included in net income	6	1	19	6
Defined pension and other postretirement benefit plans, before tax	7	2	21	(7)
Income tax expense (benefit)	2	1	6	(7)
Defined pension and other postretirement benefit plans, net of tax	5	1	15	
Foreign currency translations adjustment:				
Unrealized loss arising during the period	(55)	(554)	(406)	(594)
Foreign currency translations, net of tax	(55)	(554)	(406)	(594)
Total other comprehensive loss	(74)	(553)	(355)	(606)
Comprehensive income	1,112	704	3,324	2,771
Comprehensive (income) loss attributable to non-controlling interests	(1)	1	2	4
Comprehensive income attributable to the Company shareholders	\$ 1,111	\$ 705	\$ 3,326	\$ 2,775

See Notes to the Consolidated Financial Statements.



**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****CONSOLIDATED BALANCE SHEETS**

<b>Millions of dollars</b>	<b>September 30, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,474	\$ 1,031
Restricted cash	1	2
Short-term investments	1,602	1,593
Accounts receivable:		
Trade, net	2,724	3,226
Related parties	200	222
Inventories	4,138	4,517
Prepaid expenses and other current assets	1,059	1,054
Total current assets	11,198	11,645
Property, plant and equipment at cost	12,602	12,050
Less: Accumulated depreciation	(3,809)	(3,292)
Property, plant and equipment, net	8,793	8,758
Investments and long-term receivables:		
Investment in PO joint ventures	357	384
Equity investments	1,602	1,636
Other investments and long-term receivables	125	44
Goodwill	543	566
Intangible assets, net	644	769
Other assets	673	481
Total assets	\$ 23,935	\$ 24,283

See Notes to the Consolidated Financial Statements.

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****CONSOLIDATED BALANCE SHEETS**

<b>Millions of dollars, except shares and par value data</b>	<b>September 30, 2015</b>	<b>December 31, 2014</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 3	\$ 4
Short-term debt	573	346
Accounts payable:		
Trade	1,797	2,239
Related parties	653	825
Accrued liabilities	1,784	1,554
Deferred income taxes	383	469
Total current liabilities	5,193	5,437
Long-term debt	7,742	6,757
Other liabilities	2,044	2,122
Deferred income taxes	1,604	1,623
Commitments and contingencies		
Stockholders' equity:		
Ordinary shares, 0.04 par value, 1,275 million shares authorized, 452,844,958 and 486,969,402 shares outstanding, respectively	31	31
Additional paid-in capital	10,203	10,387
Retained earnings	9,393	6,775
Accumulated other comprehensive loss	(1,381)	(1,026)
Treasury stock, at cost, 125,590,125 and 91,463,729 ordinary shares, respectively	(10,918)	(7,853)
Total Company share of stockholders' equity	7,328	8,314
Non-controlling interests	24	30
Total equity	7,352	8,344
Total liabilities and equity	\$ 23,935	\$ 24,283

See Notes to the Consolidated Financial Statements.

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Nine Months Ended September 30,</b>	
<b>Millions of dollars</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 3,679	\$ 3,377
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	782	772
Amortization of debt-related costs	12	16
Inventory valuation adjustments	264	45
Equity investments		
Equity income	(252)	(193)
Distributions of earnings, net of tax	196	66
Deferred income taxes	9	152
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	408	(240)
Inventories	(12)	(274)
Accounts payable	(501)	(17)
Prepaid expenses and other current assets	(98)	171
Other, net	195	157
Net cash provided by operating activities	4,682	4,032
<b>Cash flows from investing activities:</b>		
Expenditures for property, plant and equipment	(957)	(1,096)
Payments for repurchase agreements	(397)	(275)
Proceeds from repurchase agreements	300	75
Purchases of available-for-sale securities	(1,723)	(2,529)
Proceeds from sales and maturities of available-for-sale securities	1,638	924
Change in restricted cash	1	10
Other, net	35	(4)
Net cash used in investing activities	(1,103)	(2,895)
<b>Cash flows from financing activities:</b>		
Repurchases of Company ordinary shares	(3,436)	(4,347)
Dividends paid	(1,063)	(1,055)
Issuance of long-term debt	984	992
Net proceeds from commercial paper	231	
Payments of debt issuance costs	(13)	(18)
Other, net	191	40

Net cash used in financing activities	(3,106)	(4,388)
Effect of exchange rate changes on cash	(30)	(14)
<b>Increase (decrease) in cash and cash equivalents</b>	443	(3,265)
Cash and cash equivalents at beginning of period	1,031	4,450
Cash and cash equivalents at end of period	\$ 1,474	\$ 1,185

See Notes to the Consolidated Financial Statements.

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

<b>Millions of dollars</b>	<b>Ordinary Shares</b>		<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Company Share of Stockholders' Equity</b>	<b>Non- Controlling Interests</b>
	<b>Issued</b>	<b>Treasury</b>					
Balance, December 31, 2014	\$ 31	\$ (7,853)	\$ 10,387	\$ 6,775	\$ (1,026)	\$ 8,314	\$ 30
Net income (loss)				3,681		3,681	(2)
Other comprehensive loss					(355)	(355)	
Share-based compensation		379	(204)			175	
Dividends (\$2.26 per share)				(1,063)		(1,063)	
Repurchases of Company ordinary shares		(3,444)				(3,444)	
Settlement from partner on exit from partnership			20			20	(4)
Balance, September 30, 2015	\$ 31	\$ (10,918)	\$ 10,203	\$ 9,393	\$ (1,381)	\$ 7,328	\$ 24

See Notes to the Consolidated Financial Statements.

**Table of Contents**

**LYONDELLBASELL INDUSTRIES N.V.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**TABLE OF CONTENTS**

	<b>Page</b>
1. <u>Basis of Presentation</u>	10
2. <u>Accounting and Reporting Changes</u>	10
3. <u>Discontinued Operations</u>	12
4. <u>Accounts Receivable</u>	13
5. <u>Inventories</u>	13
6. <u>Debt</u>	13
7. <u>Financial Instruments</u>	15
8. <u>Fair Value Measurement</u>	26
9. <u>Pension and Other Postretirement Benefits</u>	29
10. <u>Income Taxes</u>	30
11. <u>Commitments and Contingencies</u>	31
12. <u>Stockholders' Equity</u>	32
13. <u>Per Share Data</u>	37
14. <u>Segment and Related Information</u>	39

**Table of Contents**

**LYONDELLBASELL INDUSTRIES N.V.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**1. Basis of Presentation**

LyondellBasell Industries N.V., together with its consolidated subsidiaries (collectively "LyondellBasell N.V."), is a worldwide manufacturer of chemicals and polymers, a refiner of crude oil, a significant producer of gasoline blending components and a developer and licensor of technologies for production of polymers. Unless otherwise indicated, the Company, we, us, our or similar words are used to refer to LyondellBasell N.V.

The accompanying Consolidated Financial Statements are unaudited and have been prepared from the books and records of LyondellBasell N.V. in accordance with the instructions to Form 10-Q and Rule 10-1 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States (U.S. GAAP) for complete financial statements. In our opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2014.

**2. Accounting and Reporting Changes  
Recently Adopted Guidance**

*Repurchase Agreements* In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-11, *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosure*, which changes the accounting for repurchase-to-maturity transactions and other similar transactions. The amendments in this ASU require repurchase-to-maturity transactions to be accounted for as secured borrowings rather than as sales with forward repurchase commitments. In addition, this ASU requires new and expanded disclosures about repurchase agreements and other similar transactions. The amendments in this update were effective for interim and annual periods beginning after December 15, 2014. The adoption of this amendment did not have a material impact on our Consolidated Financial Statements.

*Extraordinary and Unusual Items* In January 2015, the FASB issued ASU 2015-01, *Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*, which eliminates the concept of extraordinary items. Under this new guidance, entities will no longer be required to separately classify, present and disclose extraordinary events and transactions. The amendments in this update are effective for annual and interim periods beginning after December 15, 2015 and early adoption is permitted. Our early adoption of this amendment did not have any impact on the presentation of our Consolidated Financial Statements.

**Accounting Guidance Issued But Not Adopted as of September 30, 2015**

*Revenue Recognition* In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the current revenue recognition requirements in Accounting Standard Codification (ASC) 606, *Revenue Recognition*. Under this guidance, entities should recognize revenues to depict the transfer of promised goods

or services to customers in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. This ASU also requires enhanced disclosures. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the original effective date for one year until December 15, 2017. Retrospective and modified retrospective application is allowed. We are currently assessing the impact of this amendment on our Consolidated Financial Statements.



**Table of Contents**

**LYONDELLBASELL INDUSTRIES N.V.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Compensation* In June 2014, the FASB issued ASU 2014-12, *Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. Under this new guidance, entities are required to treat performance targets that affect vesting and could be achieved after the requisite service period as a performance condition. The amendments in this ASU are effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The application of this amendment is not expected to have a material impact on our Consolidated Financial Statements.

*Going Concern* In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. Under this new guidance, management is required to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued (or available to be issued when applicable). Additionally, the entity must provide certain disclosures if conditions or events raise substantial doubt about its ability to continue as a going concern. The amendments in this update are effective for annual periods ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted. The application of this amendment is not expected to have a material impact on our Consolidated Financial Statements.

*Consolidation* In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, which amends and changes the consolidation analysis currently required under U.S. GAAP. This ASU modifies the process used to evaluate whether limited partnerships and similar entities are variable interest entities ( VIEs ) or voting interest entities; affects the analysis performed by reporting entities regarding VIEs, particularly those with fee arrangements and related party relationships; and provides a scope exception for certain investment funds. The amendments in this update are effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The application of this amendment is not expected to have a material impact on our Consolidated Financial Statements.

*Debt Issuance Costs* In April 2015, the FASB issued ASU 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. Under this new guidance, entities will be required to present debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of that debt, consistent with the current treatment of debt discounts. Additionally, in August 2015, the FASB issued ASU 2015-15, *Interest Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*, which clarifies the guidance in ASU 2015-03 related to debt issuance costs incurred in connection with line-of-credit arrangements. Under ASU 2015-15, entities are allowed to defer and present debt issuance costs as an asset and subsequently amortize those costs over the term of the line-of-credit arrangements. The amendments in these updates, which should be applied retrospectively, are effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The application of these amendments is not expected to have a material impact on our Consolidated Financial Statements.

*Fair Value Measurement* In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in this ASU eliminate the requirement for investments measured using the net asset value per share practical expedient to be categorized in the fair value hierarchy. Additionally, reporting entities will no longer be required to make certain disclosures for investments that are eligible to be measured at fair value using the

net asset value per share practical expedient. The amendments in this update, which should be applied retrospectively, are effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The application of this amendment is not expected to have a material impact on our Consolidated Financial Statements.

*Inventories* In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. Under this new guidance, entities that measure inventory using any method other than last-in, first-out or

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

the retail inventory method will be required to measure inventory at the lower of cost and net realizable value. The amendments in this ASU, which should be applied prospectively, are effective for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The application of this amendment is not expected to have a material impact on our Consolidated Financial Statements.

**3. Discontinued Operations**

The amounts included in Income from discontinued operations of the Berre refinery are summarized as follows:

Millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Sales and other operating revenues	\$	\$	\$ 1	\$ 1
Income (loss) from discontinued operations before income taxes	\$ (4)	\$ (4)	\$ (6)	\$ 3
Provision (benefit) for income taxes	(1)	(1)	(3)	2
Income (loss) from discontinued operations, net of tax	\$ (3)	\$ (3)	\$ (3)	\$ 1

Future cash outflows will occur for exit or disposal activities and for payments made to severed employees. Exit and disposal costs are expected to be incurred through the end of 2017. Payments to the affected employees are expected to be substantially complete by 2019. There is uncertainty in the manner, scope and timing of potential future asset disposal or dismantlement activities and their related cash flows. Although some dismantling and remediation activities may be considered or required at a future date, the amounts associated with such activities are not determinable at this time due to such uncertainties.

The following table summarizes the changes in the accrual for the social plan for employees affected by the closure of the Berre refinery:

Millions of dollars	Nine Months Ended September 30,	
	2015	2014
Beginning balance	\$ 26	\$ 42
Accretion expense		1
Cash payments	(7)	(10)
Effect of exchange rate changes	(3)	(4)

Ending balance	\$ 16	\$ 29
----------------	-------	-------

There are no significant assets or liabilities related to the Berre refinery other than those discussed above.

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Accounts Receivable**

Our allowance for doubtful accounts receivable, which is reflected in the Consolidated Balance Sheets as a reduction of accounts receivable, totaled \$25 million and \$29 million at September 30, 2015 and December 31, 2014, respectively.

**5. Inventories**

Inventories consisted of the following components:

<b>Millions of dollars</b>	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Finished goods	\$ 2,649	\$ 3,011
Work-in-process	168	212
Raw materials and supplies	1,321	1,294
Total inventories	\$ 4,138	\$ 4,517

For information related to lower of cost or market inventory valuation adjustments recognized during the third quarter and first nine months of 2015, see Note 14.

**6. Debt**

Long-term loans, notes and other long-term debt consisted of the following:

<b>Millions of dollars</b>	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Senior Notes due 2019, \$2,000 million, 5.0%	\$ 1,994	\$ 1,993
Senior Notes due 2021, \$1,000 million, 6.0%	1,000	1,000
Senior Notes due 2024, \$1,000 million, 5.75%	1,000	1,000
Senior Notes due 2055, \$1,000 million, 4.625% (\$16 million of discount)	984	
Guaranteed Notes due 2044, \$1,000 million, 4.875% (\$11 million of discount)	989	988
Guaranteed Notes due 2023, \$750 million, 4.0% (\$8 million of discount)	742	741
	728	728

Guaranteed Notes due 2043, \$750 million, 5.25% (\$22 million of discount)		
Guaranteed Notes due 2027, \$300 million, 8.1%	300	300
Other	8	11
Total	7,745	6,761
Less current maturities	(3)	(4)
Long-term debt	\$ 7,742	\$ 6,757

Our 5% senior notes due 2019 include losses of \$14 million and \$1 million for the three and nine months ended September 30, 2015, respectively, and gains of \$13 million for the three and nine months ended September 30, 2014, related to adjustments for our fixed-for-floating interest rate swaps, which are recognized in Interest expense in the Consolidated Statements of Income.

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Short-term loans, notes, and other short-term debt consisted of the following:

<b>Millions of dollars</b>	<b>September 30, 2015</b>	<b>December 31, 2014</b>
\$2,000 million Senior Revolving Credit Facility	\$	\$
\$900 million U.S. Receivables Securitization Facility		
450 million European Receivables Securitization Facility		
Commercial paper	493	262
Financial payables to equity investees	4	6
Precious metal financings	76	77
Other		1
<b>Total short-term debt</b>	<b>\$ 573</b>	<b>\$ 346</b>

***Long-Term Debt***

**Senior Notes due 2055** In March 2015, we issued \$1,000 million of 4.625% Notes due 2055 at a discounted price of 98.353%.

These unsecured notes rank equally in right of payment to all of LyondellBasell N.V.'s existing and future unsubordinated indebtedness.

The indenture governing these notes contains limited covenants, including those restricting our ability and the ability of our subsidiaries to incur indebtedness secured by significant property or by capital stock of subsidiaries that own significant property, enter into certain sale and lease-back transactions with respect to any significant property or enter into consolidations, mergers or sales of all or substantially all of our assets.

The notes may be redeemed before the date that is six months prior to the scheduled maturity date at a redemption price equal to the greater of 100% of the principal amount of the notes redeemed and the sum of the present values of the remaining scheduled payments of principal and interest (discounted at the applicable Treasury Yield plus 35 basis points) on the notes to be redeemed. The notes may also be redeemed on or after the date that is six months prior to the final maturity date of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest.

***Short-Term Debt***

**Senior Revolving Credit Facility** In June 2015, we entered into an agreement to extend the maturity of our senior revolving credit facility to June 2020. This facility, which may be used for dollar and euro denominated borrowings, has a sublimit for dollar and euro denominated letters of credit and supports our commercial paper program. By agreement in September 2015 the letters of credit sublimit was reduced to \$500 million. The aggregate balance of

outstanding borrowings and letters of credit under this facility may not exceed \$2,000 million at any given time. Borrowings under the facility bear interest at a Base Rate or LIBOR, plus an applicable margin. Additional fees are incurred for the average daily unused commitments.

The facility contains customary covenants and warranties, including specified restrictions on indebtedness and liens. In addition, we are required to maintain a leverage ratio at the end of every quarter of 3.50 to 1.00 or less for the period covering the most recent four quarters. We are in compliance with these covenants as of September 30, 2015.



**Table of Contents**

**LYONDELLBASELL INDUSTRIES N.V.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

At September 30, 2015, availability under this facility, which backs our \$2,000 million commercial paper program discussed below, was \$1,466 million. Availability under this facility is reduced by outstanding borrowings, outstanding letters of credit provided under the facility and notes issued under our \$2,000 million commercial paper program. A small portion of our availability under this facility is impacted by changes in the euro/U.S. dollar exchange rate. At September 30, 2015, we had \$493 million of outstanding commercial paper, no outstanding letters of credit and no outstanding borrowings under this facility.

*Commercial Paper Program* We have a commercial paper program under which we may issue up to \$2,000 million of privately placed, unsecured, short-term promissory notes ( commercial paper ). This program is backed by our \$2,000 million Senior Revolving Credit Facility. Proceeds from the issuance of commercial paper may be used for general corporate purposes, including dividends and share repurchases.

*U.S. Receivables Securitization Facility* In August 2015, we amended our U.S. accounts receivable securitization facility. This amendment, among other things, decreased the purchase limit from \$1 billion to \$900 million, added a \$300 million uncommitted accordion feature and extended the term of the facility to August 2018. Our U.S. accounts receivable securitization facility provides liquidity through the sale or contribution of trade receivables by certain of our U.S. subsidiaries to a wholly owned, bankruptcy-remote subsidiary on an ongoing basis and without recourse. The bankruptcy-remote subsidiary may then, at its option and subject to a borrowing base of eligible receivables, sell undivided interests in the pool of trade receivables to financial institutions participating in the facility. In the event of liquidation, the bankruptcy-remote subsidiary's assets will be used to satisfy the claims of its creditors prior to any assets or value in the bankruptcy-remote subsidiary becoming available to us. We are responsible for servicing the receivables. This facility also provides for the issuance of letters of credit up to \$200 million. At September 30, 2015, there were no borrowings or letters of credit outstanding under the facility. Availability under this facility was \$815 million at that date.

*Other* At September 30, 2015 and December 31, 2014, our weighted average interest rates on outstanding short-term debt were 0.4%.

*Debt Discount and Issuance Costs*

Amortization of debt discounts and debt issuance costs resulted in amortization expense of \$12 million and \$16 million in the nine months ended September 30, 2015 and 2014, respectively, which is included in Interest expense in the Consolidated Statements of Income.

**7. Financial Instruments**

*Cash Concentration* Our cash equivalents are placed in high-quality commercial paper, money market funds and time deposits with major international banks and financial institutions.

*Market Risks* We are exposed to market risks, such as changes in commodity pricing, currency exchange rates and interest rates. To manage the volatility related to these exposures, we selectively enter into derivative transactions

pursuant to our risk management policies. Derivative instruments are recorded at fair value on the balance sheet. Gains and losses related to changes in the fair value of derivative instruments not designated as hedges are recorded in earnings. For derivatives that have been designated as fair value hedges, the gains and losses of the derivatives and hedged instruments are recorded in earnings. For derivatives designated as cash flow and net investment hedges, the effective portion of the gains and losses is recorded through Other comprehensive income (loss). The ineffective portion of cash flow and net investment hedges is recorded in earnings.

**Table of Contents**

**LYONDELLBASELL INDUSTRIES N.V.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Marketable Securities* We invest cash in investment-grade securities for periods generally not exceeding two years. Investments in securities with original maturities of three months or less are classified as Cash and cash equivalents. At September 30, 2015 and December 31, 2014, we had marketable securities classified as Cash and cash equivalents of \$613 million and \$431 million, respectively.

We also have investments in marketable securities classified as available-for-sale. These securities, which are included in Short-term investments on the Consolidated Balance Sheets, are carried at estimated fair value with unrealized gains and losses recorded as a component of Accumulated other comprehensive income ( AOCI ). We periodically review our available-for-sale securities for other-than-temporary declines in fair value below the cost basis, and when events or changes in circumstances indicate the carrying value of an asset may not be recoverable, the investment is written down to fair value, establishing a new cost basis.

*Repurchase Agreements* We invest in tri-party repurchase agreements. Under these agreements, we make cash purchases of securities according to a pre-agreed profile from our counterparties. The counterparties have an obligation to repurchase, and we have an obligation to sell, the same or substantially the same securities at a pre-defined date for a price equal to the purchase price plus interest. These securities, which pursuant to our policy are held by a third-party custodian and must generally have a minimum collateral value of 102%, secure the counterparty's obligation to repurchase the securities. Depending upon maturity, these tri-party repurchase agreements are treated as short-term loans receivables reflected in Prepaid expenses and other current assets or as long-term loans receivables reflected in Other investments and long-term receivables on our Consolidated Balance Sheets. The balance of our investment at September 30, 2015 and December 31, 2014 was \$448 million and \$350 million, respectively.

*Commodity Prices* We are exposed to commodity price volatility related to anticipated purchases of natural gas liquids, crude oil and other raw materials and sales of our products. We selectively use over-the counter commodity swaps, options and exchange traded futures contracts with various terms to manage the volatility related to these risks. In addition, we are exposed to volatility on the prices of precious metals to the extent that we have obligations, classified as embedded derivatives, tied to the price of precious metals associated with secured borrowings. All aforementioned contracts are generally limited to durations of one year or less.

*Foreign Currency Rates* We have significant worldwide operations. The functional currencies of our consolidated subsidiaries through which we operate are primarily the U.S. dollar and the euro. We enter into transactions denominated in currencies other than our designated functional currencies. As a result, we are exposed to foreign currency risk on receivables and payables. We maintain risk management control policies intended to monitor foreign currency risk attributable to our outstanding foreign currency balances. These control policies involve the centralization of foreign currency exposure management, the offsetting of exposures and the estimating of expected impacts of changes in foreign currency rates on our earnings. We enter into foreign currency forward contracts to reduce the effects of our net currency exchange exposures. At September 30, 2015, foreign currency forward contracts in the notional amount of \$420 million, maturing in October 2015 through December 2015, were outstanding.

For forward contracts that economically hedge recognized monetary assets and liabilities in foreign currencies, no hedge accounting is applied. Changes in the fair value of foreign currency forward contracts, which are reported in the Consolidated Statements of Income, are offset in part by the currency translation results recognized on the assets and

liabilities.

*Foreign Currency Gain (Loss)* Other income, net, in the Consolidated Statements of Income reflected gains of \$3 million and \$7 million for the three and nine months ended September 30, 2015 and losses of \$1 million and less than \$1 million for the three and nine months ended September 30, 2014, respectively.

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Basis Swaps** During the third quarter of 2015, we entered into cross-currency floating-to-floating interest rate swaps (basis swaps) to reduce the volatility in stockholders' equity resulting from changes in currency exchange rates of our foreign subsidiaries with respect to the U.S. dollar. Under the terms of these contracts, which have been designated as net investment hedges, we will make interest payments in euros at 3 Month EURIBOR plus basis and will receive interest in U.S. dollars at 3 Month LIBOR. Upon the maturities of these contracts, we will pay the principal amount in euros and receive U.S. dollars from our counterparties.

We use the long-haul method to assess hedge effectiveness using a regression analysis approach under the hypothetical derivative method. We perform the regression analysis of our basis swap contracts at least on a quarterly basis over an observation period of three years, utilizing data that is relevant to the hedge duration. We use the forward method to measure ineffectiveness.

The effective portion of the unrealized gains and losses on these basis swap contracts is reported in Accumulated other comprehensive loss and reclassified to earnings only when realized upon the sale or upon complete or substantially complete liquidation of the investment in the foreign entity. Cash flows from basis swaps are reported in Cash flows from investing activities in the Consolidated Statement of Cash Flows.

There was no ineffectiveness recorded during the three and nine months ended September 30, 2015.

The following table summarizes our basis swaps outstanding:

Millions of dollars, except expiration date and rates	September 30, 2015			
	Expiration Date	Average Interest Rate	Notional Value	Fair Value
Pay Euro	2016	(.22)%	\$ 500	\$ 5
Receive U.S. dollars		.33%		
Pay Euro	2017	(.26)%	305	3
Receive U.S. dollars		.33%		
Pay Euro	2018	(.27)%	139	2
Receive U.S. dollars		.33%		

**Cross-Currency Swaps** We have cross-currency swap contracts that reduce our exposure to the foreign currency exchange risk associated with certain intercompany loans. Under the terms of these contracts, which have been designated as cash flow hedges, we will make interest payments in euros and receive interest in U.S. dollars. Upon the maturities of these contracts, we will pay the principal amount of the loans in euros and receive U.S. dollars from our counterparties.

We use the long-haul method to assess hedge effectiveness using a regression analysis approach under the hypothetical derivative method. We perform the regression analysis over an observation period of three years, utilizing data that is relevant to the hedge duration. We use the dollar offset method under the hypothetical derivative

method to measure ineffectiveness.

The effective portion of the unrealized gains and losses on these cross-currency swap contracts is reported in Accumulated other comprehensive loss and reclassified to earnings over the period that the hedged intercompany loans affect earnings based on changes in spot rates. The ineffective portion of the unrealized gains and losses is recorded directly to Other income, net in the Consolidated Statements of Income. In addition, the swaps are marked-to-market each reporting period with the euro notional values measured based on the current foreign exchange spot rate.

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

There was no ineffectiveness recorded during the three and nine months ended September 30, 2015.

The following table summarizes our cross-currency swaps outstanding:

Millions of dollars, except expiration date and rates	Expiration Date	Average Interest Rate	September 30, 2015		December 31, 2014	
			Notional Value	Fair Value	Notional Value	Fair Value
Pay Euro	2021	4.55%	\$ 1,000	\$ 133	\$ 1,000	\$ 19
Receive U.S. dollars		6.00%				
Pay Euro	2024	4.37%	1,000	136	1,000	16
Receive U.S. dollars		5.75%				
Pay Euro	2027	3.69%	300	7		
Receive U.S. dollars		5.49%				

*Forward-Starting Interest Rate Swaps* In March 2015, we entered into forward-starting interest rate swaps to mitigate the risk of adverse changes in the benchmark interest rates on the anticipated refinancing of our senior notes due 2019. These interest rate swaps will be terminated upon debt issuance. The total notional amount of these forward-starting interest rate swaps was \$1,000 million at September 30, 2015. The ineffectiveness recorded for this hedging relationship was less than \$1 million during the three and nine months ended September 30, 2015.

In January 2015, we entered into forward-starting interest rate swaps with a total notional value of \$750 million to mitigate the risk of adverse changes in the benchmark interest rates on the Company's planned issuance of fixed-rate debt in 2015. These forward-starting interest rate swaps were terminated upon issuance of the \$1,000 million senior notes due 2055 in March 2015. The ineffectiveness recorded for this hedging relationship was less than \$1 million during the nine months ended September 30, 2015.

In February 2014, we entered into forward-starting interest rate swaps with a total notional value of \$500 million to hedge the risk of adverse changes in the benchmark interest rates for anticipated fixed-rate debt issuances in 2014. The swap was terminated upon issuance of the \$1,000 million of guaranteed notes due 2044.

We have elected to designate these forward-starting interest rate swaps as cash flow hedges. The effective portion of the gain or loss is recorded in Accumulated other comprehensive loss. In periods where the hedging relationship is deemed ineffective, changes in the fair value will be recorded as Interest expense in the Consolidated Statements of Income.

We use a regression analysis approach under the hypothetical derivative method to assess both prospective and retrospective hedge effectiveness. We use the dollar-offset method under the hypothetical derivative method to measure hedge ineffectiveness.

In 2015 and 2014, we recognized a gain of \$15 million and a loss of \$17 million, respectively, in AOCI related to the settlement of these swap agreements. The related deferred gains and losses recognized in AOCI are amortized to interest expense over the original term of the related swaps using the effective interest method.



**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of September 30, 2015, \$1 million (on a pretax basis) is scheduled to be reclassified as an increase to interest expense over the next twelve months.

*Fixed-for-Floating Interest Rate Swaps* In 2014, we entered into U.S. dollar fixed-for-floating interest rate swaps with third party financial institutions to mitigate changes in the fair value of our \$2,000 million 5% senior notes due 2019 associated with the risk of variability in the 3 Month USD LIBOR rate (the benchmark interest rate). These interest rate swaps are used as part of our current interest rate risk management strategy to achieve a desired proportion of variable versus fixed rate debt.

Under these arrangements, we exchange fixed for floating rate interest payments to effectively convert our fixed-rate debt to floating rate-debt. The fixed and variable cash payments related to the interest rate swaps are net settled semi-annually and classified as Other, net, in the Cash flows from operating activities section of the Consolidated Statements of Cash Flows.

We have elected to designate these fixed-for-floating interest rate swaps as fair value hedges. We use the long-haul method to assess hedge effectiveness using a regression analysis approach. We perform the regression analysis over an observation period of three years, utilizing data that is relevant to the hedge duration. We use the dollar offset method to measure ineffectiveness.

Changes in the fair value of the derivatives and changes in the value of the hedged items based on changes in the benchmark interest rate are recorded as Interest expense in our Consolidated Statements of Income. We evaluate the effectiveness of the hedging relationship periodically and calculate the changes in the fair value of the derivatives and the underlying hedged items separately. We recognized net gains of \$10 million and \$32 million for the three and nine months ended September 30, 2015, respectively and a net gain of \$6 million for each of the three and nine months ended September 30, 2014, related to the ineffectiveness of our hedging relationships.

At September 30, 2015, we had outstanding interest rate swap agreements with notional amounts of \$2,000 million, maturing in April 15, 2019.

*Available-for-Sale Securities* The following table summarizes the amortized cost, gross unrealized gains and losses, and fair value of available-for-sale securities measured on a recurring basis that are outstanding as of September 30, 2015 and December 31, 2014. Refer to Note 8 for additional information regarding the fair value of available-for-sale securities.

Millions of dollars	Cost	September 30, 2015		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Commercial paper	\$ 1,039	\$ 1	\$	\$ 1,040
Bonds	213			213

Certificates of deposit	150		(1)	149
Time deposit	200			200
Total available-for-sale securities	\$ 1,602	\$ 1	\$ (1)	\$ 1,602

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

<b>Millions of dollars</b>	<b>Cost</b>	<b>December 31, 2014</b>		<b>Fair Value</b>
		<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	
Commercial paper	\$ 1,029	\$ 1	\$	\$ 1,030
Bonds	414		(1)	413
Certificates of deposit	150			150
Total available-for-sale securities	\$ 1,593	\$ 1	\$ (1)	\$ 1,593

No losses related to other-than-temporary impairments of our available-for-sale investments have been recorded in Accumulated other comprehensive loss during the nine months ended September 30, 2015 and the year ended December 31, 2014.

As of September 30, 2015, the commercial paper securities held by the Company had maturities between less than one and ten months, bonds had maturities between less than one and twenty-four months, certificates of deposit mature within seventeen months and time deposits mature within two months.

The proceeds from maturities and sales of our available-for-sale securities during the three and nine months ended September 30, 2015 and 2014 are summarized in the following table.

<b>Millions of dollars</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2015</b>	<b>September 30, 2014</b>	<b>September 30, 2015</b>	<b>September 30, 2014</b>
Proceeds from maturities of securities	\$ 622	\$ 652	\$ 1,437	\$ 924
Proceeds from sales of securities	19		201	

We recognized realized gains of less than \$1 million in connection with the sale of securities during both the three and nine months ended September 30, 2015.

The specific identification method was used to identify the cost of the securities sold and the amounts reclassified out of Accumulated other comprehensive income into earnings.

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the fair value and unrealized losses related to available-for-sale securities that were in a continuous unrealized loss position for less than and greater than twelve months as of September 30, 2015 and December 31, 2014.

Millions of dollars	September 30, 2015			
	Less than 12 months Fair Value	Unrealized Loss	Greater than 12 months Fair Value	Unrealized Loss
Commercial paper	\$ 95	\$	\$	\$
Bonds	123		27	
Certificates of deposit	149	(1)		
Time deposit	200			
Total	\$ 567	\$ (1)	\$ 27	\$

Millions of dollars	December 31, 2014			
	Less than 12 months Fair Value	Unrealized Loss	Greater than 12 months Fair Value	Unrealized Loss
Commercial paper	\$ 45	\$	\$	\$
Bonds	294	(1)		
Certificates of deposit	150			
Total	\$ 489	\$ (1)	\$	\$

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Financial Instruments* The following table summarizes financial instruments outstanding as of September 30, 2015 and December 31, 2014 that are measured at fair value on a recurring basis. Refer to Note 8 for additional information regarding the fair value of financial instruments.

		September 30, 2015		December 31, 2014	
	Balance Sheet				
Millions of dollars	Classification	Notional Amount	Fair Value	Notional Amount	Fair Value
Assets					
Derivatives designated as cash flow hedges:					
Cross-currency swaps	Other assets	\$ 2,300	\$ 258	\$ 2,000	\$ 30
Cross-currency swaps	Prepaid expenses and other current assets		18		5
Forward-starting interest rate swaps	Other assets	600	5		
Derivatives designated as fair value hedges:					
Fixed-for-floating interest rate swaps	Other assets	2,000	44	2,000	10
Fixed-for-floating interest rate swaps	Prepaid expenses and other current assets		13		6
Derivatives not designated as hedges:					
Commodities	Prepaid expenses and other current assets	11	4		2
Embedded derivatives	Prepaid expenses and other current assets	76	11	77	3
Foreign currency	Prepaid expenses and other current assets	48		107	
Non-derivatives:					
Available-for-sale securities	Short-term investments	1,612	1,602	1,587	1,593
		\$ 6,647	\$ 1,955	\$ 5,771	\$ 1,649

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

		September 30, 2015		December 31, 2014	
	Balance Sheet				
Millions of dollars	Classification	Notional Amount	Fair Value	Notional Amount	Fair Value
Liabilities					
Derivatives designated as net investment hedges:					
Basis swaps	Accrued liabilities	\$ 500	\$ 5	\$	\$
	Other liabilities	444	5		
Derivatives designated as cash flow hedges:					
Forward-starting interest rate swaps	Other liabilities	400	8		
Derivatives not designated as hedges:					
Commodities	Accrued liabilities	15	1	28	1
Foreign currency	Accrued liabilities	372	7	680	13
Non-derivatives:					
Performance share awards	Accrued liabilities	21	21	22	22
Performance share awards	Other liabilities	14	14	14	14
		\$ 1,766	\$ 61	\$ 744	\$ 50

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the pretax effect of derivative instruments charged directly to income.

Millions of dollars	Effect of Financial Instruments Three Months Ended September 30, 2015			Income Statement Classification
	Gain (Loss) Recognized in AOCI	Reclassified to Income	Additional Gain (Loss) Recognized in Income	
Derivatives designated as net investment hedges:				
Basis swaps	\$ (10)	\$	\$	Other income, net
Derivatives designated as cash-flow hedges:				
Cross-currency swaps	32	5		Other income, net
Forward-starting interest rate swaps	(68)		(1)	Interest expense
Derivatives designated as fair value hedges:				
Fixed-for-floating interest rate swaps			31	Interest expense
Derivatives not designated as hedges:				
Commodities			(12)	Sales and other operating revenues
Commodities			11	Cost of sales
Embedded derivatives			3	Cost of sales
Foreign currency			(4)	Other income, net
	\$ (46)	\$ 5	\$ 28	

Millions of dollars	Three Months Ended September 30, 2014			Income Statement Classification
	Gain (Loss) Recognized in AOCI	Reclassified to Income	Additional Gain (Loss) Recognized in Income	
Derivatives designated as fair value hedges:				
Fixed-for-floating interest rate swaps	\$	\$	\$ (3)	Interest expense
Derivatives not designated as hedges:				
Commodities			(3)	Cost of sales
Embedded derivatives			6	Cost of sales
Foreign currency			(42)	Other income, net

\$	\$	\$	(42)
----	----	----	------



Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

<b>Effect of Financial Instruments</b>				
<b>Nine Months Ended September 30, 2015</b>				
<b>Millions of dollars</b>	<b>Gain (Loss) Recognized in AOCI</b>	<b>Gain (Loss) Reclassified from AOCI to Income</b>	<b>Additional Gain (Loss) Recognized in Income</b>	<b>Income Statement Classification</b>
Derivatives designated as net investment hedges:				
Basis swaps	\$ (10)	\$	\$	Other income, net
Derivatives designated as cash-flow hedges:				
Cross-currency swaps	229	(148)		Other income, net
Forward-starting interest rate swaps	12			Interest expense
Derivatives designated as fair value hedges:				
Fixed-for-floating interest rate swaps			56	Interest expense
Derivatives not designated as hedges:				
Commodities			(3)	Sales and other operating revenues
Commodities			20	Cost of sales
Embedded derivatives			10	Cost of sales
Foreign currency			(63)	Other income, net
	\$ 231	\$ (148)	\$ 20	

<b>Nine Months Ended September 30, 2014</b>				
<b>Millions of dollars</b>	<b>Gain (Loss) Recognized in AOCI</b>	<b>Gain (Loss) Reclassified from AOCI to Income</b>	<b>Additional Gain (Loss) Recognized in Income</b>	<b>Income Statement Classification</b>
Derivatives designated as cash-flow hedges:				
Forward-starting interest rate swaps	\$ (17)	\$	\$ (1)	Interest expense

Derivatives designated as fair value hedges:		
Fixed-for-floating interest rate swaps	(3)	Interest expense
Derivatives not designated as hedges:		
Commodities	4	Cost of sales
Embedded derivatives	1	Cost of sales
Foreign currency	(37)	Other income, net
	\$ (17)	\$ (36)

The pretax effect of additional gain (loss) recognized in income for the fixed-for-floating interest rate swaps includes the net value for accrued interest of \$7 million and \$22 million for the three and nine months ended September 30, 2015, respectively, and \$4 million for each of the three and nine months ended September 30, 2014.

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. Fair Value Measurement**

The following table presents the financial instruments outstanding as of September 30, 2015 and December 31, 2014 that are measured at fair value on a recurring basis.

Millions of dollars	Fair Value	September 30, 2015		
		Level 1	Level 2	Level 3
Assets				
Derivatives:				
Cross-currency swaps	\$ 276	\$	\$ 276	\$
Forward-starting interest rate swaps	5		5	
Fixed-for-floating interest rate swaps	57		57	
Commodities	4	2	2	
Embedded derivatives	11		11	
Non-derivatives:				
Available-for-sale securities	1,602		1,602	
	\$ 1,955	\$ 2	\$ 1,953	\$
Liabilities				
Derivatives:				
Basis swaps	\$ 10	\$	\$ 10	\$
Forward-starting interest rate swaps	8		8	
Commodities	1		1	
Foreign currency	7		7	
Non-derivatives:				
Performance share awards	35	35		
	\$ 61	\$ 35	\$ 26	\$

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Millions of dollars	December 31, 2014			
	Fair Value	Level 1	Level 2	Level 3
<b>Assets</b>				
Derivatives:				
Cross-currency swaps	\$ 35	\$	\$ 35	\$
Fixed-for-floating interest rate swaps	16		16	
Commodities	2	2		
Embedded derivatives	3		3	
Non-derivatives:				
Available-for-sale securities	1,593		1,593	
	\$ 1,649	\$ 2	\$ 1,647	\$
<b>Liabilities</b>				
Derivatives:				
Commodities	\$ 1	\$ 1	\$	\$
Foreign currency	13		13	
Non-derivatives:				
Performance share awards	36	36		
	\$ 50	\$ 37	\$ 13	\$

There were no transfers between Level 1 and Level 2 during the nine months ended September 30, 2015 and the year ended December 31, 2014.

The following table presents the carrying value and estimated fair value of our financial instruments that are not measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014. Short-term and long-term loans receivable and short-term and long-term debt are recorded at amortized cost in the Consolidated Balance Sheets. The carrying and fair values of short-term and long-term debt exclude capital leases.

Millions of dollars	Carrying Value	September 30, 2015			
		Fair Value	Level 1	Level 2	Level 3
Non-derivatives:					
Assets:					
Short-term loans receivable	\$ 347	\$ 347	\$	\$ 347	\$
Long-term loans receivable	101	101		101	
Total	\$ 448	\$ 448	\$	\$ 448	\$

Liabilities:

Short-term debt	\$ 76	\$ 65	\$	\$ 65	\$
Long-term debt	7,741	8,165		8,161	4
Total	\$ 7,817	\$ 8,230	\$	\$ 8,226	\$ 4

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Millions of dollars	December 31, 2014				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Non-derivatives:					
Assets:					
Short-term loans receivable	\$ 350	\$ 350	\$	\$ 350	\$
Liabilities:					
Short-term debt	\$ 77	\$ 74	\$	\$ 74	\$
Long-term debt	6,756	7,529		7,523	6
Total	\$ 6,833	\$ 7,603	\$	\$ 7,597	\$ 6

The fair value of all non-derivative financial instruments included in Current assets, including Cash and cash equivalents, Restricted cash and Accounts receivable, and Current liabilities, including Short-term debt excluding precious metal financings, and Accounts payable, approximates the applicable carrying value due to the short maturity of those instruments.

We use the following inputs and valuation techniques to estimate the fair value of our financial instruments:

*Basis Swaps* The fair value of our basis swap contracts is calculated using the present value of future cash flows discounted using observable inputs such as known notional value amounts, yield curves, spot and forward exchange rates as well as discount rates.

*Cross-Currency Swaps* The fair value of our cross-currency swaps is calculated using the present value of future cash flows discounted using observable inputs with the foreign currency leg revalued using published spot exchange rates on the valuation date.

*Forward-Starting Interest Rate Swaps* The fair value of our forward-starting interest rate swaps is calculated using the present value of future cash flows method and based on observable inputs such as benchmark interest rates.

*Fixed-for-Floating Interest Rate Swaps* The fair value of our fixed-for-floating interest rate swaps is calculated using the present value of future cash flows method and based on observable inputs such as interest rates and market yield curves.

*Commodity and Embedded Derivatives* The fair values of our commodity derivatives classified as Level 1 and embedded derivatives are measured using closing market prices at the end of the reporting period obtained from the New York Mercantile Exchange and from third-party broker quotes and pricing providers.

The fair value of our commodity swaps classified as Level 2 is determined using a combination of observable and unobservable inputs. The observable inputs consist of future market values of various crude and heavy fuel oils, which are readily available through public data sources. The unobservable input, which is the estimated discount or premium

used in the market pricing, is calculated using an internally-developed, multi-linear regression model based on the observable prices of the known components and their relationships to historical prices. A significant change in this unobservable input would not have a material impact on the fair value measurement of our level 2 commodity swaps.

*Foreign Currency Derivatives* The fair value of our foreign currency derivatives is based on forward market rates.

*Available-for-Sale Securities* Fair value is calculated using observable market data for similar securities and broker quotes from recognized purveyors of market data.

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Performance Share Awards* Fair value is determined using the quoted market price of our stock.

*Short-Term and Long-Term Loans Receivable* Valuations are based on discounted cash flows, which consider prevailing market rates for the respective instrument maturity in addition to corroborative support from the minimum underlying collateral requirements.

*Short-Term Debt* Fair values of short-term borrowings related to precious metal financing arrangements are determined based on the price of the associated precious metal.

*Long-Term Debt* Fair value is calculated using pricing data obtained from well-established and recognized vendors of market data for debt valuations.

**9. Pension and Other Postretirement Benefits**

Net periodic pension benefits included the following cost components for the periods presented:

Millions of dollars	U.S. Plans			
	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Service cost	\$ 11	\$ 10	\$ 33	\$ 32
Interest cost	21	22	64	66
Expected return on plan assets	(37)	(38)	(110)	(116)
Actuarial and investment loss amortization	3		9	
Net periodic benefit credits	\$ (2)	\$ (6)	\$ (4)	\$ (18)

Millions of dollars	Non-U.S. Plans			
	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Service cost	\$ 8	\$ 7	\$ 25	\$ 22
Interest cost	8	12	28	35
Expected return on plan assets	(6)	(6)	(19)	(19)
Settlements gain				(1)
Prior service cost amortization	1	1	2	3
Actuarial and investment loss amortization	1	1	5	3



Net periodic benefit costs	\$ 12	\$ 15	\$ 41	\$ 43
----------------------------	-------	-------	-------	-------

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Net periodic other postretirement benefits included the following cost components for the periods presented:

Millions of dollars	U.S. Plans			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Service cost	\$ 1	\$ 1	\$ 3	\$ 3
Interest cost	3	4	10	11
Actuarial loss amortization	1		2	2
Net periodic benefit costs	\$ 5	\$ 5	\$ 15	\$ 16

Millions of dollars	Non-U.S. Plans			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Interest cost	\$	\$	\$ 1	\$ 1
Actuarial loss amortization	1		3	1
Net periodic benefit costs	\$ 1	\$	\$ 4	\$ 2

The total net periodic cost of our pension and other postretirement benefit plans were as follows:

Millions of dollars	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Pension plans	\$ 10	\$ 9	\$ 37	\$ 25
Other postretirement benefit plans	6	5	19	18
Net periodic benefit costs	\$ 16	\$ 14	\$ 56	\$ 43

**10. Income Taxes**

Our effective income tax rate for the third quarter of 2015 was 29.1% compared with 25.6% for the third quarter of 2014. For the first nine months of 2015, the effective income tax rate was 28.5% compared with 26.9% for the first

nine months of 2014. Our effective tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, the U.S. domestic production activity deduction, changes in valuation allowances and changes in unrecognized tax benefits associated with uncertain tax positions.

Compared with the third quarter of 2014, the higher effective tax rate for the third quarter of 2015 was primarily due to reductions in foreign exchange losses, partially offset by increases in exempt income. Compared with the first nine months of 2014, the effective tax rate for the first nine months of 2015 was higher primarily due to reductions in foreign exchange losses. Other items which had an impact to the effective tax rate included increased exempt income and changes in pretax income in countries with varying statutory tax rates, offset by a reduced U.S. domestic production activity deduction, notional royalties, and changes in return to accrual adjustments.

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A portion of the Company's interest income from internal financing is either untaxed or taxed at rates substantially lower than the U.S. statutory rate. We currently anticipate favorable treatment for the interest income to continue in 2015; however, this treatment may be prospectively impacted by potential changes in the law, including adoption of certain proposals for base erosion and profit shifting.

We monitor income tax legislative developments in countries where we are tax residents. Management does not believe that recent changes in income tax laws in our tax resident countries will have a material impact on our Consolidated Financial Statements, although new or proposed changes to tax laws could affect our tax liabilities in the future.

**11. Commitments and Contingencies**

*Financial Assurance Instruments* We have obtained letters of credit, performance and surety bonds and have issued financial and performance guarantees to support trade payables, potential liabilities and other obligations. Considering the frequency of claims made against the financial instruments we use to support our obligations, and the magnitude of those financial instruments in light of our current financial position, management does not expect that any claims against or draws on these instruments would have a material adverse effect on our Consolidated Financial Statements. We have not experienced any unmanageable difficulty in obtaining the required financial assurance instruments for our current operations.

*Environmental Remediation* Our accrued liability for future environmental remediation costs at current and former plant sites and other remediation sites totaled \$97 million and \$106 million as of September 30, 2015 and December 31, 2014, respectively. At September 30, 2015, the accrued liabilities for individual sites range from less than \$1 million to \$18 million. The remediation expenditures are expected to occur over a number of years, and not to be concentrated in any single year. In our opinion, it is reasonably possible that losses in excess of the liabilities recorded may have been incurred. However, we cannot estimate any amount or range of such possible additional losses. New information about sites, new technology or future developments such as involvement in investigations by regulatory agencies, could require us to reassess our potential exposure related to environmental matters.

The following table summarizes the activity in our accrued environmental liability included in Accrued liabilities and Other liabilities:

Millions of dollars	Nine Months Ended September 30,	
	2015	2014
Beginning balance	\$ 106	\$ 120
Additional provision	6	
Changes in estimates	(3)	
Amounts paid	(6)	(5)

Foreign exchange effects	(6)	(7)
Other		(3)
Ending balance	\$ 97	\$ 105

*Access Indemnity Demand* In December 2010, one of our subsidiaries received demand letters from affiliates of Access Industries (collectively, Access Entities), a more than five percent shareholder of the Company, demanding indemnity for losses, including attorney's fees and expenses, arising out of a pending lawsuit styled *Edward S. Weisfelner, as Litigation Trustee of the LB Litigation Trust v. Leonard Blavatnik, et al.*, Adversary

**Table of Contents**

**LYONDELLBASELL INDUSTRIES N.V.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Proceeding No. 09-1375 (REG), in the United States Bankruptcy Court, Southern District of New York. In the *Weisfelner* lawsuit, the plaintiffs seek to recover from Access the return of all amounts earned by the Access Entities related to their purchase of shares of Lyondell Chemical prior to its acquisition by Basell AF S.C.A.; distributions by Basell AF S.C.A. to its shareholders before it acquired Lyondell Chemical; and management and transaction fees and expenses. The trial that was scheduled for October 2011 has been postponed.

The Access Entities have also demanded \$100 million in management fees under a 2007 management agreement between an Access affiliate and the predecessor of LyondellBasell AF, as well as other unspecified amounts relating to advice purportedly given in connection with financing and other strategic transactions. In June 2009, an Access affiliate filed a proof of claim in Bankruptcy Court against LyondellBasell AF seeking no less than \$723 thousand for amounts allegedly owed under the 2007 management agreement. In April 2011, Lyondell Chemical filed an objection to the claim and brought a declaratory judgment action for a determination that the demands are not valid. The declaratory judgment action is stayed pending the outcome of the *Weisfelner* lawsuit.

We do not believe that the 2007 management agreement is in effect or that the Company or any Company-affiliated entity owes any obligations under the management agreement, including for management fees or for indemnification. We intend to vigorously defend our position in any proceedings and against any claims or demands that may be asserted.

We cannot at this time estimate the reasonably possible loss or range of loss that may be incurred in the *Weisfelner* lawsuit; therefore, we cannot estimate the loss that may be sought by way of indemnity.

*Indemnification* We are parties to various indemnification arrangements, including arrangements entered into in connection with acquisitions, divestitures and the formation and dissolution of joint ventures. Pursuant to these arrangements, we provide indemnification to and/or receive indemnification from other parties in connection with liabilities that may arise in connection with the transactions and in connection with activities prior to completion of the transactions. These indemnification arrangements typically include provisions pertaining to third party claims relating to environmental and tax matters and various types of litigation. As of September 30, 2015, we had not accrued any significant amounts for our indemnification obligations, and we are not aware of other circumstances that would likely lead to significant future indemnification obligations. We cannot determine with certainty the potential amount of future payments under the indemnification arrangements until events arise that would trigger a liability under the arrangements.

As part of our technology licensing contracts, we give indemnifications to our licensees for liabilities arising from possible patent infringement claims with respect to certain proprietary licensed technologies. Such indemnifications have a stated maximum amount and generally cover a period of five to ten years.

**12. Stockholders Equity**

*Dividend distributions* The following table summarizes the dividends paid in the periods presented:

<b>Millions of dollars, except per share amounts</b>	<b>Dividend Per Ordinary Share</b>	<b>Aggregate Dividends Paid</b>	<b>Date of Record</b>
March	\$ 0.70	\$ 334	March 2, 2015
June	0.78	368	June 1, 2015
September	0.78	361	August 25, 2015
	\$ 2.26	\$ 1,063	

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Share Repurchase Programs* During the second quarter of 2015 and 2014, we completed the repurchase of shares under share repurchase programs authorized by our shareholders in April 2014 ( April 2014 Share Repurchase Program ) and May 2013 ( May 2013 Share Repurchase Program ), respectively. We were authorized to purchase up to 10% of our outstanding shares under each of these programs. In May 2015, our shareholders approved a proposal to authorize us to repurchase up to an additional 10% of our outstanding ordinary shares through November 2016 ( May 2015 Share Repurchase Program ). These repurchases, which are determined at the discretion of our Management Board, may be executed from time to time through open market or privately negotiated transactions. The repurchased shares are recorded as Treasury stock and may be retired or used for general corporate purposes, including for various employee benefit and compensation plans.

The following table summarizes our share repurchase activity:

Millions of dollars, except shares and per share amounts	Nine Months Ended September 30, 2015		
	Shares Repurchased	Average Purchase Price, Including	Total Purchase Commissions
April 2014 Share Repurchase Program	19,892,101	\$ 86.40	\$ 1,719
May 2015 Share Repurchase Program	19,214,553	89.80	1,725
	39,106,654	\$ 88.07	\$ 3,444

Millions of dollars, except shares and per share amounts	Nine Months Ended September 30, 2014		
	Shares Repurchased	Average Purchase Price, Including	Total Purchase Commissions
May 2013 Share Repurchase Program	30,225,236	\$ 90.31	\$ 2,730
April 2014 Share Repurchase Program	15,866,941	105.71	1,677
	46,092,177	\$ 95.61	\$ 4,407

Due to the timing of settlements, total cash paid for share repurchases for the nine months ended September 30, 2015 and 2014 was \$3,436 million and \$4,347 million, respectively.



**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Ordinary Shares* The changes in the outstanding amounts of ordinary shares are as follows:

	<b>Nine Months Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
Ordinary shares outstanding:		
Beginning balance	486,969,402	548,824,138
Share-based compensation	4,955,719	1,255,317
Warrants exercised	1,802	1,018
Employee stock purchase plan	24,689	17,789
Purchase of ordinary shares	(39,106,654)	(46,092,177)
Ending balance	452,844,958	504,006,085

*Treasury Shares* The changes in the amounts of treasury shares held by the Company are as follows:

	<b>Nine Months Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
Ordinary shares held as treasury shares:		
Beginning balance	91,463,729	29,607,877
Share-based compensation	(4,955,719)	(1,255,317)
Warrants exercised	150	
Employee stock purchase plan	(24,689)	(17,789)
Purchase of ordinary shares	39,106,654	46,092,177
Ending balance	125,590,125	74,426,948

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Accumulated Other Comprehensive Income (Loss)* The components of, and after-tax changes in, Accumulated other comprehensive income (loss) as of and for the nine months ended September 30, 2015 and 2014 are presented in the following table:

<b>Millions of dollars</b>		<b>Financial Derivatives</b>	<b>Net Unrealized Holding Gains on Investments Net of Tax</b>	<b>Defined Pension and Other Postretirement Benefit Plans</b>	<b>Foreign Currency Translation Adjustments</b>	<b>Total</b>
Balance	January 1, 2015	\$ (80)	\$	\$ (449)	\$ (497)	\$ (1,026)
Other comprehensive income (loss) before reclassifications		185	(1)		(406)	(222)
Amounts reclassified from accumulated other comprehensive loss		(148)		15		(133)
Net other comprehensive income (loss)		37	(1)	15	(406)	(355)
Balance	September 30, 2015	\$ (43)	\$ (1)	\$ (434)	\$ (903)	\$ (1,381)
Balance	January 1, 2014	\$	\$	\$ (140)	\$ 236	\$ 96
Other comprehensive income (loss) before reclassifications		(13)	1	(7)	(594)	(613)
Amounts reclassified from accumulated other comprehensive income				7		7
Net other comprehensive income (loss)		(13)	1		(594)	(606)
Balance	September 30, 2014	\$ (13)	\$ 1	\$ (140)	\$ (358)	\$ (510)

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The amounts reclassified out of each component of Accumulated other comprehensive income (loss) are as follows:

Millions of dollars	Three Months Ended		Nine Months Ended		Affected line item on the Consolidated Statements of Income
	September 30, 2015	2014	September 30, 2015	2014	
Reclassification adjustments for:					
Defined pension and other postretirement benefit plan items:					
Amortization of:					
Prior service cost	\$ 1	\$ 1	\$ 2	\$ 3	
Actuarial loss	6	1	19	6	
Financial derivatives:					
Cross-currency swaps	5		(148)		Other income, net
Reclassifications, before tax	12	2	(127)	9	
Income tax expense	2	1	6	2	Provision for income taxes
Amounts reclassified out of Accumulated other comprehensive income (loss)	\$ 10	\$ 1	\$ (133)	\$ 7	

Amortization of prior service cost and actuarial loss are included in the computation of net periodic pension and other postretirement benefit costs (see Note 9).

*Non-Controlling Interests* In June 2015, we received \$24 million from a holder of a minority interest in one of our consolidated partnerships to exit the partnership. Accordingly, our interest in this partnership increased resulting in an impact to equity of a \$4 million reduction of Non-controlling interests and a \$20 million increase in Additional paid-in capital.

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****13. Per Share Data**

Basic earnings per share is based upon the weighted average number of shares of common stock outstanding during the periods. Diluted earnings per share includes the effect of certain stock option awards and other equity-based compensation awards. We have unvested restricted stock units that are considered participating securities for earnings per share.

Earnings per share data and dividends declared per share of common stock are as follows:

Millions of dollars	Three Months Ended September 30,			
	2015		2014	
	Continuing Operations	Discontinued Operations	Continuing Operations	Discontinued Operations
Net income (loss)	\$ 1,189	\$ (3)	\$ 1,260	\$ (3)
Less: net (income) loss attributable to non-controlling interests	(1)		1	
Net income (loss) attributable to the Company shareholders	1,188	(3)	1,261	(3)
Net income attributable to participating securities	(1)		(4)	
Net income (loss) attributable to ordinary shareholders basic and diluted	\$ 1,187	\$ (3)	\$ 1,257	\$ (3)
<b>Millions of shares, except per share amounts</b>				
Basic weighted average common stock outstanding	462	462	509	509
Effect of dilutive securities:				
Stock options			3	3
MTI, QPA and PSU awards	1	1		
Potential dilutive shares	463	463	512	512
Earnings (loss) per share:				
Basic	\$ 2.57	\$ (0.01)	\$ 2.47	\$ (0.01)
Diluted	\$ 2.55	\$ (0.01)	\$ 2.46	\$ (0.01)
Participating securities	0.4	0.4	1.5	1.5
Dividends declared per share of common stock	\$ 0.78	\$	\$ 0.70	\$



**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Millions of dollars	Nine Months Ended September 30,			
	2015		2014	
	Continuing Operations	Discontinued Operations	Continuing Operations	Discontinued Operations
Net income (loss)	\$ 3,682	\$ (3)	\$ 3,376	\$ 1
Less: net loss attributable to non-controlling interests	2		4	
Net income (loss) attributable to the Company shareholders	3,684	(3)	3,380	1
Net income attributable to participating securities	(7)		(10)	
Net income (loss) attributable to ordinary shareholders basic and diluted	\$ 3,677	\$ (3)	\$ 3,370	\$ 1
<b>Millions of shares, except per share amounts</b>				
Basic weighted average common stock outstanding	471	471	526	526
Effect of dilutive securities:				
Stock options	1	1	3	3
MTI, QPA and PSU awards	1	1		
Potential dilutive shares	473	473	529	529
Earnings (loss) per share:				
Basic	\$ 7.81	\$ (0.01)	\$ 6.41	\$
Diluted	\$ 7.78	\$ (0.01)	\$ 6.38	\$
Participating securities	0.4	0.4	1.5	1.5
Dividends declared per share of common stock	\$ 2.26	\$	\$ 2.00	\$

**Table of Contents**

**LYONDELLBASELL INDUSTRIES N.V.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**14. Segment and Related Information**

Our operations are managed through five operating segments, as shown below. We disclose the results of each of our operating segments in accordance with ASC 280, *Segment Reporting*. Each of our operating segments is managed by a senior executive reporting directly to our Chief Executive Officer, the chief operating decision maker. Discrete financial information is available for each of the segments, and our Chief Executive Officer uses the operating results of each of the operating segments for performance evaluation and resource allocation. The activities of each of our segments from which they earn revenues and incur expenses are described below:

Olefins and Polyolefins Americas ( O&P Americas ). Our O&P Americas segment produces and markets olefins, including ethylene and ethylene co-products, and polyolefins.

Olefins and Polyolefins Europe, Asia, International ( O&P EAI ). Our O&P EAI segment produces and markets olefins, including ethylene and ethylene co-products, polyolefins and specialty products, including polybutene-1 and polypropylene compounds.

Intermediates and Derivatives ( I&D ). Our I&D segment produces and markets propylene oxide and its co-products and derivatives, acetyls, including methanol, ethylene oxide and its derivatives, ethanol and oxygenated fuels, or oxyfuels.

Refining. Our Refining segment refines heavy, high-sulfur crude oils and other crude oils of varied types and sources available on the U.S. Gulf Coast.

Technology. Our Technology segment develops and licenses chemical and polyolefin process technologies and manufactures and sells polyolefin catalysts.

EBITDA is the primary measure used in reviewing our segments' profitability and therefore, in accordance with ASC 280, *Segment Reporting*, we have presented EBITDA for all segments. We define EBITDA as earnings before interest, taxes and depreciation and amortization.

Intersegment eliminations and items that are not directly related or allocated to business operations are included in Other. Sales between segments are made primarily at prices approximating prevailing market prices.

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Summarized financial information concerning reportable segments is shown in the following table for the periods presented:

<b>Three Months Ended September 30, 2015</b>							
<b>Millions of dollars</b>	<b>O&amp;P Americas</b>	<b>O&amp;P EAI</b>	<b>I&amp;D</b>	<b>Refining Technology</b>		<b>Other</b>	<b>Total</b>
Sales and other operating revenues:							
Customers	\$ 1,838	\$ 2,874	\$ 1,989	\$ 1,559	\$ 74	\$	\$ 8,334
Intersegment	678	58	50	134	26	(946)	
	2,516	2,932	2,039	1,693	100	(946)	8,334
EBITDA	841	549	460	93	45	13	2,001

<b>Three Months Ended September 30, 2014</b>							
<b>Millions of dollars</b>	<b>O&amp;P Americas</b>	<b>O&amp;P EAI</b>	<b>I&amp;D</b>	<b>Refining Technology</b>		<b>Other</b>	<b>Total</b>
Sales and other operating revenues:							
Customers	\$ 2,585	\$ 3,857	\$ 2,652	\$ 2,894	\$ 78	\$	\$ 12,066
Intersegment	1,165	138	39	252	29	(1,623)	
	3,750	3,995	2,691	3,146	107	(1,623)	12,066
EBITDA	1,157	343	383	110	41	1	2,035

<b>Nine Months Ended September 30, 2015</b>							
<b>Millions of dollars</b>	<b>O&amp;P Americas</b>	<b>O&amp;P EAI</b>	<b>I&amp;D</b>	<b>Refining Technology</b>		<b>Other</b>	<b>Total</b>
Sales and other operating revenues:							
Customers	\$ 5,668	\$ 8,748	\$ 5,981	\$ 4,998	\$ 269	\$	\$ 25,664
Intersegment	2,078	156	135	404	74	(2,847)	
	7,746	8,904	6,116	5,402	343	(2,847)	25,664
EBITDA	2,886	1,398	1,263	401	178	13	6,139

<b>Nine Months Ended September 30, 2014</b>							
<b>Millions of dollars</b>	<b>O&amp;P Americas</b>	<b>O&amp;P EAI</b>	<b>I&amp;D</b>	<b>Refining Technology</b>		<b>Other</b>	<b>Total</b>
Sales and other operating revenues:							
Customers	\$ 7,233	\$ 11,579	\$ 7,732	\$ 8,475	\$ 299	\$	\$ 35,318
Intersegment	3,336	263	94	677	88	(4,458)	



	10,569	11,842	7,826	9,152	387	(4,458)	35,318
EBITDA	2,871	1,018	1,188	376	188	3	5,644

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Operating results for our O&P Americas segment include non-cash charges of \$79 million and \$101 million in the third quarter and first nine months of 2015, respectively, related to lower of cost or market ( LCM ) inventory valuation adjustments driven by declines in the prices of ethylene, propylene and other products correlated with crude oil. Our O&P EAI segment's results for the third quarter and first nine months of 2015 were each negatively impacted by a \$6 million LCM inventory valuation adjustment driven mainly by a decline in the price of naphtha. Operating results for our I&D segment reflect non-cash charges of \$46 million and \$107 million in the third quarter and first nine months of 2015, respectively, related to LCM inventory valuation adjustments driven by declines in the prices of various chemical products within its inventory pools, notably styrene and benzene. In our Refining segment, operating results were negatively impacted by a \$50 million LCM inventory valuation adjustment in each of the third quarter and first nine months of 2015, primarily driven by declines in the prices of crude oil.

In the third quarter and first nine months of 2014, operating results for our O&P-Americas segment included a charge of \$45 million related to a LCM inventory valuation adjustment driven by a decline in feedstock prices. The O&P EAI segment operating results for the first nine months of 2014 include a \$52 million benefit from a settlement under a 2005 indemnification agreement for certain existing and future environmental liabilities.

A reconciliation of EBITDA to Income from continuing operations before income taxes is shown in the following table for each of the periods presented:

Millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>EBITDA:</b>				
Total segment EBITDA	\$ 1,988	\$ 2,034	\$ 6,126	\$ 5,641
Other EBITDA	13	1	13	3
Less:				
Depreciation and amortization expense	(248)	(262)	(782)	(772)
Interest expense	(85)	(92)	(233)	(280)
Add:				
Interest income	8	13	26	26
Income from continuing operations before income taxes	\$ 1,676	\$ 1,694	\$ 5,150	\$ 4,618

The depreciation and amortization expense for the nine months ended September 30, 2015 reflected in the table above includes \$35 million of amortization expense related to expired emission allowance credits, \$33 million of which was recognized by our Refining segment.

**Table of Contents**

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**GENERAL**

This discussion and analysis should be read in conjunction with the information contained in our Consolidated Financial Statements and the accompanying notes elsewhere in this report. When we use the terms we, us, our or similar words in this discussion, unless the context otherwise requires, we are referring to LyondellBasell Industries N.V. and its consolidated subsidiaries.

References to industry benchmark prices or costs, including the weighted average cost of ethylene production, are generally to industry prices and costs from third party consulting data. References to industry benchmarks for refining and oxyfuels market margins are to industry prices reported by Platts, a reporting service of The McGraw-Hill Companies. References to industry benchmark prices for crude oil and natural gas are to Bloomberg.

**OVERVIEW**

Our performance is driven by, among other things, global economic conditions generally and their impact on demand for our products, raw material and energy prices, as well as industry-specific issues, such as production capacity. Our businesses are subject to the cyclicalities and volatility generally seen in the chemicals and refining industries.

Our asset portfolio continued to demonstrate balance with strong results in the third quarter and first nine months of 2015. Despite the rebalancing of supply/demand in the global ethylene industry and the decline in the price of crude oil since mid-2014 and during the third quarter of 2015, our asset portfolio generated strong results as some product margins expanded while others contracted.

Significant items that affected our results during the third quarter and first nine months of 2015 relative to the third quarter and first nine months of 2014 include:

Higher U.S. polyolefin results and higher U.S. olefins volumes on stronger demand and increased operating rates following the 2014 completion of expansions of our La Porte, Texas ethylene and Matagorda, Texas polyethylene facilities, offset by lower olefins margins in the third quarter and first nine months of 2015;

Improved European olefins and polyolefins results on higher margins in both 2015 periods and increased polyolefins volumes in the first nine months of 2015;

Strong styrene ( SM ) margins driven by tight supply and lower feedstock costs benefited the Intermediates and Derivatives ( I&D ) segment results in the third quarter and first nine months of 2015; and

Higher refining margins at our Houston refinery on improved by-product spreads and lower feedstock costs in both 2015 periods.

Other noteworthy items since the beginning of the year include the following:

In the second quarter of 2015, we increased our interim dividend by 11%, from \$0.70 to \$0.78;

We repurchased approximately 15 million and 39 million of our outstanding ordinary shares during the third quarter and first nine months of 2015, respectively;

We issued \$1 billion of 4.625% unsecured notes due 2055 in March 2015; and

**Table of Contents**

We completed a 250 million pounds per year ethylene expansion at our Channelview, Texas facility in the third quarter of 2015 and continued construction of an 800 million pounds per year ethylene expansion at our Corpus Christi, Texas facility to be completed in the second quarter of 2016.

Results of operations for the periods discussed are presented in the table below.

Millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Sales and other operating revenues	\$ 8,334	\$ 12,066	\$ 25,664	\$ 35,318
Cost of sales	6,465	10,118	19,891	29,950
Selling, general and administrative expenses	194	211	627	612
Research and development expenses	25	31	76	97
Operating income	1,650	1,706	5,070	4,659
Interest expense	(85)	(92)	(233)	(280)
Interest income	8	13	26	26
Other income, net	10	3	35	20
Income from equity investments	93	64	252	193
Provision for income taxes	487	434	1,468	1,242
Income from continuing operations	1,189	1,260	3,682	3,376
Income (loss) from discontinued operations, net of tax	(3)	(3)	(3)	1
Net income	\$ 1,186	\$ 1,257	\$ 3,679	\$ 3,377

**RESULTS OF OPERATIONS**

**Revenues** Revenues decreased by \$3,732 million, or 31%, in the third quarter of 2015 compared to the third quarter of 2014 and by \$9,654 million, or 27%, in the first nine months of 2015 compared to the first nine months of 2014.

Lower average sales prices were responsible for 25% and 24% of the revenue declines in the third quarter and first nine months of 2015, respectively, relative to prior year periods. The decline in prices for crude oil and other feedstocks in the third quarter and first nine months of 2015 was the primary contributing factor for these lower average sales prices. Unfavorable translation impacts resulting from a significant decline in the euro/U.S. dollar exchange rate further reduced revenues by 5% and 6%, respectively, in the third quarter and first nine months of 2015.

Lower sales volumes in the third quarter of 2015 contributed the remaining 1% to the decline in revenues over the third quarter of 2014. The decrease in sales volumes in the third quarter of 2015 primarily reflects lower ethylene sales volumes in our Olefins and Polyolefins Europe, Asia, International ( O&P EAI ) segment driven by operational issues and turnaround activity and lower crude processing rates in our Refining segment.

In the first nine months of 2015, higher sales volumes partially offset the decreases noted above, contributing 3% to higher revenues compared to the first nine months of 2014. The increase in sales volumes primarily reflects higher U.S. olefins and polyethylene volumes in our Olefins and Polyolefins Americas ( O&P Americas ) segment and increased acetyls, oxyfuels and propylene oxide ( PO ) and derivatives volumes in our I&D segment. Higher U.S. olefins and polyethylene sales volumes in the first nine months of 2015 reflect stronger demand and capacity additions

associated with the completion of an expansion-related turnaround at our La Porte, Texas ethylene facility and at our Matagorda, Texas polyethylene facility. Methanol sales volumes also increased relative to the first nine months of 2014 due to improved operations at both of our Texas methanol facilities and higher production reflecting additional feedstock availability at our La Porte, Texas facility in 2015. Planned and unplanned industry outages during early 2015 led to higher PO and derivatives sales volumes in the first nine months of 2015, while increased demand resulted in higher oxyfuels sales volumes in the first nine months of 2015.

## **Table of Contents**

**Cost of Sales** Cost of sales decreased by \$3,653 million and \$10,059 million in the third quarter and first nine months of 2015, respectively, compared to the third quarter and first nine months of 2014.

Cost of sales in the third quarter and first nine months of 2015 includes pre-tax charges totaling \$181 million and \$264 million, respectively, for non-cash lower of cost or market ( LCM ) inventory valuation adjustments in all of our segments except Technology. In the first nine months of 2015, cost of sales also includes \$35 million of amortization expense associated with the expiration of emission allowance credits in our Refining and I&D segments. Cost of sales in the third quarter and first nine months of 2014 included a \$45 million charge related to a LCM inventory valuation adjustment driven by a decline in feedstock prices in our O&P Americas segment and in the first nine months of 2014, a \$52 million benefit in our O&P EAI segment associated with a settlement for certain existing and future environmental claims under a 2005 indemnification agreement.

The decreases in cost of sales in the third quarter and first nine months of 2015 were primarily due to lower feedstock costs. In the third quarter and first nine months of 2015, the raw material costs for heavy liquids and natural gas liquids ( NGLs ) used in our O&P Americas segment; naphtha and other feedstocks and propylene used in our O&P EAI segment; benzene, propylene, butane, ethylene and ethanol used in our I&D segment; and crude oil used in our Refining segment were significantly lower relative to the third quarter and first nine months of 2014.

**Operating Income** Operating income decreased by \$56 million and increased by \$411 million in the third quarter and first nine months of 2015, respectively, compared to the third quarter and first nine months of 2014.

Operating income in the third quarter and first nine months of 2015 includes the negative impact of the LCM inventory valuation adjustment and in the first nine months of 2015, the emission credit allowances amortization discussed above. Operating income for the third quarter and first nine months of 2014 included the impact of LCM inventory valuation adjustment and in the first nine months of 2014, the benefit related to the environmental claims settlement also discussed above.

Absent the items discussed above, operating income was higher by \$80 million and \$717 million in the third quarter and first nine months of 2015, respectively, compared to the same periods in 2014. The improvement in results was primarily driven by the operations of our O&P EAI and I&D segments and to a lesser extent by the operations of our Refining segment. The primary drivers of the improvement in operating income were higher margins that benefited from lower feedstock costs and improved supply/demand fundamentals in our European olefins and polyolefins businesses. Higher styrene margins in our I&D segment and higher refining margins also contributed to the increases in operating income. These increases were partly offset by lower olefin margins in our O&P Americas segment primarily driven by lower ethylene prices. Operating results for each of our business segments are discussed further in the Segment Analysis section below.

**Interest Expense** Interest expense was \$7 million and \$47 million lower in the third quarter and first nine months of 2015, respectively, compared to the third quarter and first nine months of 2014, primarily due to favorable impacts of \$28 million and \$88 million, respectively, related to our fixed-for-floating interest rate swaps and cross-currency swaps. See Notes 6, 7 and 8 for additional information related to these swaps. The resulting decrease was offset in part by higher interest charges related to the issuance of our 4.875% guaranteed notes due 2044 in February 2014 and our 4.625% senior notes due 2055 in March 2015.

**Income from Equity Investments** Income from equity investments increased by \$29 million and \$59 million in the third quarter and first nine months of 2015, respectively, relative to the third quarter and first nine months of 2014.

The increase in our Income from equity investments in the third quarter and first nine months of 2015 was primarily driven by improvements at our joint ventures in Poland and South Korea. These benefits were supplemented by higher results for one of our Middle Eastern joint ventures in the third quarter of 2015. Conversely, in the first nine months of 2015, lower results at one of our Middle Eastern joint ventures partially offset the improvement in our Polish and South Korean joint ventures.

A significant increase in margins due to a weaker euro, tight supply stemming from industry outages and higher operating rates in the third quarter and first nine months of 2015 contributed to the better results at our Polish joint venture relative to the corresponding periods in 2014. Improved results at our South Korean joint venture reflect



## **Table of Contents**

stronger margins, improved operating rates and the favorable impacts of foreign exchange in the third quarter and first nine months of 2015 relative to the same periods in 2014. In the third quarter of 2015, higher margins and better operational reliability led to the higher results at one of our Middle Eastern joint ventures compared to the third quarter of 2014. These benefits were partly offset by lower results in the first nine months of 2015 for another one of our Middle Eastern joint ventures, largely due to lower margins as a result of lower crude oil prices in the first nine months of 2015 compared to the first nine months of 2014.

**Income Tax** Our effective income tax rate for the third quarter of 2015 was 29.1% compared with 25.6% for the third quarter of 2014. For the first nine months of 2015, the effective income tax rate was 28.5% compared with 26.9% for the first nine months of 2014. Our effective tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, the U.S. domestic production activity deduction, changes in valuation allowances and changes in unrecognized tax benefits associated with uncertain tax positions.

Compared with the third quarter of 2014, the higher effective tax rate for the third quarter of 2015 was primarily due to reductions in foreign exchange losses, partially offset by increases in exempt income. Compared with the first nine months of 2014, the effective tax rate for the first nine months of 2015 was higher primarily due to reductions in foreign exchange losses. Other items which had an impact to the effective tax rate included increased exempt income and changes in pretax income in countries with varying statutory tax rates, offset by a reduced U.S. domestic production activity deduction, notional royalties, and changes in return to accrual adjustments.

A portion of the Company's interest income from internal financing is either untaxed or taxed at rates substantially lower than the U.S. statutory rate. We currently anticipate favorable treatment for the interest income to continue in 2015; however, this treatment may be prospectively impacted by potential changes in the law, including adoption of certain proposals for base erosion and profit shifting.

We monitor income tax legislative developments in countries where we are tax residents. Management does not believe that recent changes in income tax laws in our tax resident countries will have a material impact on our Consolidated Financial Statements, although new or proposed changes to tax laws could affect our tax liabilities in the future.

**Comprehensive Income** Comprehensive income increased by \$408 million and \$553 million in the third quarter and first nine months of 2015, respectively, compared to the third quarter and first nine months of 2014. The increase in Comprehensive income in the third quarter of 2015 reflects the favorable impact of unrealized net changes in foreign currency translation adjustments partly offset by lower net income. In the first nine months of 2015, Comprehensive income increased on higher net income, the favorable impact of unrealized net changes in foreign currency translation adjustments and to a lesser extent, the benefit of favorable financial derivative adjustments.

The predominant functional currency for our operations outside of the U.S. is the euro. Relative to the U.S. dollar, the value of the euro increased during the third quarter of 2015 and decreased during the third quarter of 2014 and first nine months of 2015 and 2014, resulting in losses as reflected in the Consolidated Statements of Comprehensive Income.

**Table of Contents****Segment Analysis**

We use earnings before interest, income taxes, and depreciation and amortization ( EBITDA ) as our measure of profitability for segment reporting purposes. This measure of segment operating results is used by our chief operating decision maker to assess the performance of and allocate resources to our operating segments. Intersegment eliminations and items that are not directly related or allocated to business operations are included in Other. For additional information related to our operating segments, as well as a reconciliation of EBITDA to its nearest GAAP measure, Income from continuing operations before income taxes, see Note 14, *Segment and Related Information*, to our Consolidated Financial Statements.

Our continuing operations are divided into five reportable segments: O&P Americas; O&P EAI; I&D; Refining; and Technology.

Millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>Sales and other operating revenues:</b>				
O&P Americas segment	\$ 2,516	\$ 3,750	\$ 7,746	\$ 10,569
O&P EAI segment	2,932	3,995	8,904	11,842
I&D segment	2,039	2,691	6,116	7,826
Refining segment	1,693	3,146	5,402	9,152
Technology segment	100	107	343	387
Other, including intersegment eliminations	(946)	(1,623)	(2,847)	(4,458)
Total	\$ 8,334	\$ 12,066	\$ 25,664	\$ 35,318
<b>Income from equity investments:</b>				
O&P Americas segment	\$ 12	\$ 6	\$ 27	\$ 16
O&P EAI segment	79	56	215	173
I&D segment	2	2	10	4
Total	\$ 93	\$ 64	\$ 252	\$ 193
<b>EBITDA:</b>				
O&P Americas segment	\$ 841	\$ 1,157	\$ 2,886	\$ 2,871
O&P EAI segment	549	343	1,398	1,018
I&D segment	460	383	1,263	1,188
Refining segment	93	110	401	376
Technology segment	45	41	178	188
Other, including intersegment eliminations	13	1	13	3
Total	\$ 2,001	\$ 2,035	\$ 6,139	\$ 5,644

***Olefins and Polyolefins Americas Segment***

**Overview** In calculating the impact of margin and volume on EBITDA, consistent with industry practice, management offsets revenues and volumes related to ethylene co-products against the cost to produce ethylene. Volume and price impacts of ethylene co-products are reported in margin. Ethylene is a major building block of our olefins and polyolefins businesses and as such management assesses the performance of the segment based on ethylene sales volumes and prices and our internal cost of ethylene production.

Operating results were lower in the third quarter 2015, primarily due to lower olefins results that were partially offset by improvements in polyolefins compared to the third quarter of 2014. In the first nine months of 2015, improved polyolefin results more than offset the lower olefins results, leading to slightly higher segment earnings

---

**Table of Contents**

relative to the first nine months of 2014. Olefins results in the third quarter and first nine months of 2015 reflect lower margins which were offset in part by higher sales volumes. Margin improvements in the third quarter and first nine months of 2015 led to the increased polyethylene and polypropylene results over the respective periods in 2014.

Prices for heavy liquids, NGLs and olefins have declined significantly since the third quarter of 2014, to levels that have not been seen in recent years. These declines resulted in the recognition of non-cash, LCM inventory adjustments of \$45 million and \$234 million during the third and fourth quarters of 2014, respectively. Further volatility in the benchmark prices for heavy liquids and natural gas and certain correlated products, particularly ethylene and crude C4 chemicals, during the first quarter of 2015 led to an additional LCM inventory valuation adjustment of \$43 million in the first quarter of 2015. During the second quarter of 2015, a recovery of market prices occurred and as a result, we recognized a non-cash benefit of \$21 million for the partial reversal of the \$43 million LCM inventory valuation adjustment discussed above. Market volatility in benchmark prices continued through the third quarter of 2015, resulting in an additional LCM inventory valuation adjustment of \$79 million in third quarter of 2015.

*Ethylene Raw Materials* Benchmark crude oil and natural gas prices generally have been indicators of the level and direction of the movement of raw material and energy costs for ethylene and its co-products in the O&P Americas segment. Ethylene and its co-products are produced from two major raw material groups:

NGLs, principally ethane and propane, the prices of which are generally affected by natural gas prices; and

crude oil-based liquids ( liquids or heavy liquids ), including naphtha, condensates and gas oils, the prices of which are generally related to crude oil prices.

Although the prices of these raw materials are generally related to crude oil and natural gas prices, during specific periods the relationships among these materials and to benchmarks may vary significantly. In the U.S., we have significant capability to change the mix of raw materials used in the production of ethylene and its co-products to take advantage of the relative costs of heavy liquids and NGLs.

Production economics for the industry favored NGLs in 2014 and have continued to do so in 2015. During the third quarter and first nine months of 2015, we produced approximately 88% of our U.S. ethylene production from NGLs compared to approximately 87% in the third quarter and first nine months of 2014.

**Table of Contents**

The following table shows the average U.S. benchmark prices for crude oil and natural gas for the applicable periods, as well as benchmark U.S. sales prices for ethylene and propylene, which we produce and sell or consume internally. The table also shows the discounted U.S. benchmark prices for certain polyethylene and polypropylene products. These industry benchmark prices are third party estimates that are indicative of contract sales for some key product grades, but do not necessarily describe price trends for our full olefins or polymers product mixes. The benchmark weighted average cost of ethylene production, which reflects credits for co-product sales, is based on a third party consultant's estimated ratio of heavy liquid raw materials and NGLs used in U.S. ethylene production.

	Average Benchmark Price and Percent Change Versus Prior Year Period Average					
	Three Months Ended			Nine Months Ended		
	September 30, 2015	2014	Change	September 30, 2015	2014	Change
Crude oil, dollars per barrel:						
West Texas Intermediate ( WTI )	45.36	97.25	(53)%	56.60	99.62	(43)%
Light Louisiana Sweet ( LLS )	50.20	101.03	(50)%	55.32	103.63	(47)%
Natural gas (Henry Hub), dollars per million BTUs	2.72	4.19	(35)%	2.73	4.65	(41)%
United States, cents per pound:						
Weighted average cost of ethylene production	9.6	14.5	(34)%	9.8	17.1	(43)%
Ethylene	30.3	51.8	(42)%	33.1	49.1	(33)%
Polyethylene (high density)	64.3	78.0	(18)%	65.8	77.1	(15)%
Propylene - polymer grade	33.2	70.8	(53)%	41.5	71.3	(42)%
Polypropylene	59.3	86.3	(31)%	62.9	86.4	(27)%

The following table sets forth selected financial information for the O&P Americas segment including Income from equity investments, which is a component of EBITDA.

Millions of dollars	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Sales and other operating revenues	\$ 2,516	\$ 3,750	\$ 7,746	\$ 10,569
Income from equity investments	12	6	27	16
EBITDA	841	1,157	2,886	2,871

**Revenues** Revenues for our O&P Americas segment decreased by \$1,234 million, or 33%, in the third quarter of 2015 and by \$2,823 million, or 27%, in the first nine months of 2015 compared to the third quarter and first nine months of 2014, respectively.

Lower average sales prices resulted in revenue decreases of 35% and 30% in the third quarter and first nine months of 2015, respectively, compared to the same periods in 2014. Average sales prices for ethylene were lower in the third quarter and first nine months of 2015 primarily due to the significant decline in prices for crude oil and correlated products relative to prices in the corresponding periods of 2014 and increased market supply. Polyethylene and polypropylene sales prices declined less in the third quarter and first nine months of 2015 than the prices of their

respective feedstocks, ethylene and propylene.

These decreases in revenues were offset in part by higher sales volumes, which contributed 2% and 3% to revenues in the third quarter and first nine months of 2015, respectively, compared to the third quarter and first nine months of 2014. Ethylene sales volumes were higher on stronger demand and increased production reflecting higher capacity following the completion of an expansion-related turnaround at our La Porte, Texas facility during 2014. In

**Table of Contents**

the first nine months of 2015, higher ethylene sales volumes also reflect additional production related to less planned and unplanned downtime at our Channelview, Texas facility. Polyethylene sales volumes improved in the first nine months of 2015, largely due to the completion of an expansion-related turnaround at our Matagorda, Texas facility in the first quarter of 2014, as well as stronger demand and increased export sales in the 2015 periods compared to the first nine months of 2014. Polypropylene sales volumes were relatively unchanged in the third quarter and first nine months of 2015 compared to the same periods in the 2014.

**EBITDA** EBITDA decreased by \$316 million, or 27%, in the third quarter of 2015 compared to the third quarter of 2014. This 27% decline in EBITDA in the third quarter of 2015 represents decreases of 30% related to lower margins and 3% associated with the impact of net non-cash LCM inventory valuation charges of \$34 million discussed above. These decreases were partly offset by a 5% increase related to higher volumes and a 1% increase related to improvements in our income from equity investments in the third quarter of 2015 relative to the third quarter of 2014.

In the first nine months of 2015, EBITDA increased by \$15 million, or 1%, compared to the first nine months of 2014. This improvement in EBITDA reflects increases of 21% related to higher volumes and 1% associated with improvements in our income from equity investments, partially offset by decreases of 19% for lower margins and 2% for the \$56 million net, non-cash charges related to LCM inventory valuation adjustments discussed above.

The increases in sales volumes in the third quarter and first nine months of 2015 as compared to the prior year periods were a result of downtime and expansion-related activities in 2014 and increased demand discussed above.

Margins were lower in the third quarter and first nine months of 2015, largely driven by a decline in olefin margins that was offset in part by improvements in polyethylene and polypropylene margins relative to the third quarter and first nine months of 2014. Olefin margins declined in the third quarter and first nine months of 2015 as the average sales price of ethylene was driven down initially by the decline in naphtha feedstock prices, which generally trend with crude oil prices, and subsequently in the third quarter by improved market supply due to an improvement in industry operating rates. A decrease in our cost of ethylene production partially offset the impact of the ethylene sales price decline in the third quarter and first nine months of 2015 lessening the impact of lower margins on those periods. Lower NGL and heavy liquids feedstock costs in the third quarter and first nine months of 2015 outpaced the lower selling price of our co-products, resulting in decreases to our cost of ethylene production compared to the same periods in 2014.

Polyethylene margins improved in the third quarter and first nine months of 2015 as decreases in the cost of ethylene feedstock more than offset lower average sales prices relative to the third quarter and first nine months of 2014. Polypropylene margins, which were higher in the third quarter and first nine months of 2015, benefited from lower propylene feedstock costs, which in part reflect lower crude oil prices, and higher average sales prices relative to propylene, driven by industry operating issues.

***Olefins and Polyolefins Europe, Asia, International Segment***

**Overview** Higher operating results in the third quarter and first nine months of 2015 primarily reflect margin improvements for olefins and European polyolefins and to a lesser extent, increases in our income from equity investments relative to the third quarter and first nine months of 2014. Olefins margins in the third quarter and first nine months of 2015 reflect a larger decline in our cost of ethylene production than the decreases in olefin product prices. Polyethylene and polypropylene margins were higher due to supply constraints as a result of several industry outages and the benefit of a lower price position compared to other regions resulting from the weakness in the euro. Higher overall sales volumes also contributed to the improved operating results in the first nine months of 2015.

*Ethylene Raw Materials* In Europe, heavy liquids are the primary raw materials for ethylene production.



**Table of Contents**

The following table shows the average Western Europe benchmark prices for Brent crude oil for the applicable periods, as well as benchmark Western Europe prices for ethylene and propylene, which we produce and consume internally or purchase from unrelated suppliers, and discounted prices for certain polyethylene and polypropylene products. These industry benchmark prices are third party estimates that are indicative of contract sales for some key product grades, but do not necessarily describe price trends for our full olefins or polymers product mixes.

	<b>Average Benchmark Price and Percent Change Versus Prior Year Period Average</b>					
	<b>Three Months Ended</b>			<b>Nine Months Ended</b>		
	<b>September 30, 2015</b>	<b>2014</b>	<b>Change</b>	<b>September 30, 2015</b>	<b>2014</b>	<b>Change</b>
Brent crude oil, dollars per barrel	50.27	103.46	(51)%	51.01	106.99	(52)%
Western Europe benchmark prices, 0.01 per pound:						
Weighted average cost of ethylene production	14.4	31.5	(54)%	20.2	32.9	(39)%
Ethylene	46.6	54.1	(14)%	44.4	53.9	(18)%
Polyethylene (high density)	61.2	55.4	10%	55.7	55.5	%
Propylene	41.7	51.9	(20)%	41.1	51.8	(21)%
Polypropylene (homopolymer)	59.3	61.4	(3)%	57.2	60.9	(6)%
Average exchange rate, \$US per	1.11	1.33	(17)%	1.12	1.36	(18)%

The following table sets forth selected financial information for the O&P EAI segment including Income from equity investments, which is a component of EBITDA.

<b>Millions of dollars</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2015</b>	<b>2014</b>	<b>September 30, 2015</b>	<b>2014</b>
Sales and other operating revenues	\$ 2,932	\$ 3,995	\$ 8,904	\$ 11,842
Income from equity investments	79	56	215	173
EBITDA	549	343	1,398	1,018

**Revenues** Revenues decreased by \$1,063 million, or 27%, in the third quarter of 2015 compared to the third quarter of 2014 and by \$2,938 million, or 25%, in the first nine months of 2015 compared to the first nine months of 2014.

Lower average sales prices and a significantly weaker euro versus the U.S. dollar each decreased revenues by 13% in each the third quarter and first nine months of 2015 compared to the corresponding periods in 2014. Average sales prices were lower for most products as sales prices generally trend with crude oil prices, which have significantly declined compared to the third quarter and first nine months of 2014.

Lower sales volumes in the third quarter of 2015 resulted in a 1% decrease in revenues compared to the third quarter of 2014, while higher sales volumes in the first nine months of 2015 increased revenues by 1% compared to the first nine months of 2014. Declines in olefins sales volumes in the third quarter and first nine months of 2015 relative to the same prior year periods were largely due to operational issues and turnaround activity. In the first nine months of 2015, polyethylene and polypropylene sales volumes were higher compared to the first nine months of 2014, largely

due to strong European demand and supply constraints as a result of several industry outages. Sales volumes for PP compounding were higher in the third quarter and first nine months of 2015, reflecting higher demand in the automotive industry relative to the third quarter and first nine months of 2014.

**EBITDA** EBITDA increased by \$206 million, or 60%, in the third quarter of 2015 compared to the third quarter of 2014. This 60% improvement in EBITDA in the third quarter of 2015 was driven by a 73% increase related to margins as well as an increase of 7% in income from our equity investments. These third quarter improvements were offset in part by decreases of 14% due to the translation of a weaker euro, 4% for the lower sales volumes discussed above and 2% related to a \$6 million LCM inventory adjustment driven by declines in the price of naphtha.

**Table of Contents**

In the first nine months of 2015, EBITDA increased by \$380 million, or 37%, compared to the first nine months of 2014. This 37% improvement reflects increases of 49% related to higher margins, 4% for the increase in sales volumes discussed above and 4% due to an improvement in income from our equity investments. These increases were offset in part by a 14% decrease related to a weaker euro and a 6% decrease related to the \$6 million LCM inventory adjustment discussed above and a \$52 million benefit recognized in the first nine months of 2014 for a settlement of certain existing and future environmental claims under a 2005 indemnification agreement.

Olefins results, which improved in the third quarter and first nine months of 2015, reflect higher margins offset by the impact of lower sales volumes discussed above. Olefins margins improved as the declines in the cost of our ethylene production, largely due to lower feedstock costs and the favorable impact of processing feedstocks with cost advantages to naphtha, more than offset the decrease in average sales prices for ethylene during those periods.

Higher European polyethylene and polypropylene results in the third quarter and first nine months of 2015 relative to the same periods in 2014 reflect tighter supply/demand balances and lower ethylene and propylene feedstock costs, which more than offset the declines in average sales prices. Regional supply/demand tightened in the first nine months of 2015 partly due to industry outages which restricted production as demand was improving, while in the third quarter supply/demand rebalanced. Lower PP compounding results in the third quarter and first nine months of 2015 reflect lower margins due to the higher cost of polypropylene feedstock, offset in part by increased sales volumes compared to the same periods of 2014.

The increase in income from our equity investments in the third quarter and first nine months of 2015 primarily reflects better results at our Polish and South Korean joint ventures. These benefits were supplemented by higher results for one of our Middle Eastern joint ventures in the third quarter of 2015. Conversely, in the first nine months of 2015, lower results at one of our Middle Eastern joint ventures partially offset the improvement in our Polish and South Korean joint ventures. Higher margins in the third quarter and first nine months of 2015 and higher operating rates in the first nine months of 2015 led to the increased results at our Polish joint venture relative to the 2014 periods. Improvements at our South Korean joint venture reflect higher margins and in the first nine months of 2015, increased volumes.

***Intermediates and Derivatives Segment***

**Overview** Segment results, which were higher in the third quarter and first nine months of 2015 compared to the same periods in 2014, include non-cash, LCM adjustments of \$46 million and \$107 million, respectively. These adjustments reflect the decline in market prices for many I&D products that fell to levels lower than the carrying value of our related inventories at the respective balance sheet dates. Improvements in EBITDA reflect strengthened styrene results and to a lesser extent, higher ethylene oxide ( EO ) and derivatives results. In the first nine months of 2015, higher results were partially offset by declines in acetyls results compared to the first nine months of 2014.

The following table sets forth selected financial information for the I&D segment including Income from equity investments, which is a component of EBITDA. In addition, the table shows methyl tertiary butyl ether ( MTBE ) margins in Northwest Europe ( NWE ).

Millions of dollars	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Sales and other operating revenues	\$ 2,039	\$ 2,691	\$ 6,116	\$ 7,826

Income from equity investments	2	2	10	4
EBITDA	460	383	1,263	1,188
<b>Market margins, cents per gallon</b>				
MTBE NWE	119.0	111.8	96.8	86.4

## **Table of Contents**

**Revenues** Revenues decreased by \$652 million, or 24%, in the third quarter of 2015 compared to the third quarter of 2014 and by \$1,710 million, or 22%, in the first nine months of 2015 compared to the first nine months of 2014.

The decrease in revenues in the third quarter and first nine months of 2015 reflects lower average sales prices for most products and a significantly weaker euro against the U.S. dollar, partly offset by higher sales volumes compared to the third quarter and first nine months of 2014. Lower average sales prices and currency translation impacts were responsible for decreases of 20% and 6%, respectively, in the third quarter of 2015 and 22% and 6% in the first nine months of 2015. These negative impacts were partly offset by revenue increases of 2% and 6% in the third quarter and first nine months of 2015, respectively, related to higher volumes during those periods.

Average sales prices for all business units including PO & derivatives, acetyls, styrene, EO & derivatives, C4 chemicals and oxyfuels declined in the third quarter and first nine months of 2015 primarily due to a significant decrease in energy prices and other related feedstocks compared to the third quarter and first nine months of 2014. Additionally, decreases in Brent crude oil and gasoline product prices in the third quarter and first nine months of 2015, in part offset by improved octane blend premium values, led to lower average sales prices for oxyfuels compared to the corresponding periods of 2014. Methanol and vinyl acetate monomer ( VAM ) prices were lower in the third quarter and first nine months of 2015 relative to the third quarter and first nine months of 2014, as prices in the 2014 periods benefited from a tighter market as a result of industry outages.

Acetyls sales volumes were higher in the third quarter and first nine months of 2015 compared to the same periods in 2014 mostly due to improved operations at both Texas methanol facilities. Higher oxyfuels sales volumes in the first nine months of 2015 compared to the first nine months of 2014 reflect strong octane demand in a tight market driven by industry outages combined with higher sales of purchased materials. C4 chemicals sales volumes declined slightly on reduced demand. PO & derivative sales volumes were higher in the first nine months of 2015, reflecting strong global demand combined with industry supply constraints, primarily in Europe. Continued stable demand combined with industry outages resulted in higher styrene sales volumes in the first nine months of 2015 relative to the same period in 2014.

**EBITDA** EBITDA increased by \$77 million, or 20%, in the third quarter of 2015 compared to the third quarter of 2014 and by \$75 million, or 6% in the first nine months of 2015 compared to the first nine months of 2014.

The 20% increase in EBITDA during the third quarter of 2015 consists of increases of 30% associated with improved margins and 2% related to higher volumes, offset in part by a 12% decrease related to the \$46 million non-cash LCM inventory valuation adjustment discussed above. In the first nine months of 2015, the 6% improvement in EBITDA over the first nine months of 2014 reflects increases of 9% and 6% related to higher margins and sales volumes, respectively, partly offset by a 9% decrease related to the non-cash LCM inventory valuation adjustment of \$107 million discussed above. Slight improvements in our income from equity investments accounted for the remaining change in EBITDA in the first nine months of 2015.

The unfavorable impacts of foreign currency translation of \$22 million and \$84 million due to significant declines in the euro versus the U.S. dollar in the third quarter and first nine months of 2015, respectively, relative to the same prior year periods, are included in the discussion of results above.

Higher styrene results in the third quarter and first nine months of 2015 reflect margin improvements driven by tight supply resulting from industry outages and lower benzene feedstock costs as compared to the same periods in 2014. Results for the first nine months of 2015 also benefited slightly from higher sales volumes stemming from stronger market demand and industry outages compared to the first nine months of 2014.

Ethylene oxide and derivative results increased in the third quarter and first nine months of 2015 compared to the same periods of 2014, reflecting margin improvements and higher sales volumes. Margins improved on higher average sales prices in Asia partly due to operating issues in the global market and lower ethylene feedstock costs. Volumes were higher in the third quarter and first nine months of 2015 compared to the corresponding periods in 2014, which were negatively impacted by constrained production due to turnaround activities.

Acetyls results were lower in the third quarter and the first nine months of 2015 relative to the 2014 periods as lower margins reflecting decreases in the average sales prices for methanol and VAM were offset in part by the higher sales volumes discussed above.

**Table of Contents**

Oxyfuels results in the third quarter and first nine months of 2015 were slightly lower compared to the same periods in 2014 as the favorable impacts of higher sales volumes discussed above and higher octane blend values were more than offset by a shift in the level of sales between regions and by the significant declines in Brent crude and gasoline prices.

Propylene oxide and derivatives results in the third quarter and first nine months of 2015 were relatively unchanged from the corresponding periods in 2014.

***Refining Segment***

**Overview** Operating results, which were lower in the third quarter of 2015 and higher in the first nine months of 2015, include a \$50 million non-cash LCM inventory valuation adjustment driven by a decline in crude oil prices of approximately \$7 per barrel from prices at year-end 2014. Absent these adjustments, results were higher in both 2015 periods as margin improvements were partly offset by lower volumes. Margins increased over the same periods in 2014 on favorable improvements in by-product spreads and lower feedstock costs. By-product spreads improved as the differential between crude oil prices and products other than gasoline and distillates narrowed with the decline in crude oil prices.

The following table sets forth selected financial information and heavy crude oil processing rates for the Refining segment and the U.S. refining market margins for the applicable periods. Light Louisiana Sweet, or LLS is a light, sweet crude oil, while Maya is a heavy, sour crude oil.

Millions of dollars	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Sales and other operating revenues	\$ 1,693	\$ 3,146	\$ 5,402	\$ 9,152
EBITDA	93	110	401	376
Heavy crude oil processing rates, thousands of barrels per day	249	264	248	256
<b>Market margins, dollars per barrel</b>				
Light crude oil 2-1-1	\$ 15.29	\$ 14.20	\$ 15.58	\$ 14.90
Light crude oil Maya differential	7.48	10.15	7.97	11.64
Total Maya 2-1-1	\$ 22.77	\$ 24.35	\$ 23.55	\$ 26.54

**Revenues** Revenues decreased by \$1,453 million, or 46%, in the third quarter of 2015 compared to the third quarter of 2014 and by \$3,750 million, or 41%, in the first nine months of 2015 compared to the first nine months of 2014.

Lower average refined product prices, which contributed 44% and 43% to the decreases in revenues in the third quarter and first nine months of 2015, respectively, were primarily driven by a decline in crude oil prices relative to the third quarter and first nine months of 2014. Lower sales volumes in the third quarter of 2015 decreased revenues by 2% while higher sales volumes in the first nine months of 2015 increased revenues by 2% relative to the corresponding 2014 periods. Although crude processing rates were lower in both 2015 periods, sales volumes were higher in the first nine months of 2015 as higher production from intermediate feedstocks, reductions in finished

product inventory levels and sales of crude oil more than offset the lower crude oil processing rates.

**EBITDA** EBITDA decreased by \$17 million, or 15%, in the third quarter of 2015 compared to the third quarter of 2014. This decline consists of decreases of 45% and 12% related to the \$50 million non-cash, LCM inventory valuation adjustment discussed above and lower volumes, respectively, offset in part by a 42% improvement related to higher refining margins.



**Table of Contents**

EBITDA increased by \$25 million, or 7%, in the first nine months of 2015 compared to the first nine months of 2014, as an increase of 26% related to higher refining margins was offset in part by a 13% decrease related to the \$50 million non-cash inventory valuation adjustment discussed above and a 6% decrease due to lower crude processing rates.

The higher refining margins in the third quarter and first nine months of 2015 benefited from higher by-product spreads and lower crude oil prices relative to the third quarter and first nine months of 2014. Overall crude oil costs for the refinery declined by more than the change in the Maya benchmark price for both periods due to increased supplies of advantaged Canadian crude oil and opportunistic purchases of spot crudes. The large decline in crude oil prices in 2015 compared to 2014 reduced the margin impact of lower valued by-products such as petroleum coke and sulfur in both 2015 periods. The improvements in by-product spreads more than offset the decline in the Maya 2-1-1 in the third quarter and first nine months of 2015 relative to the corresponding periods in 2014. The favorable impacts of hedged spreads between selected products and crude oil grade differentials also contributed to higher results in the first nine months of 2015.

Crude processing rates were lower in the third quarter and first nine months of 2015 compared to the third quarter and first nine months of 2014. During the third quarter of 2015 crude processing rates were reduced due to limitations from down-stream processing units and operating issues at our gas processing unit. Crude processing rates were also negatively impacted in the first nine months of 2015 by operating issues in the first quarter of 2015 limiting sulfur recovery and hydrotreating capacity and limitations on by-product gas processing as a result of a turnaround at a customer's facility.

**Technology Segment**

**Overview** The Technology segment recognizes revenues related to the sale of polyolefin catalysts, licensing of chemical, polyolefin and other process technologies and associated engineering and other services. These revenues are offset in part by the costs incurred in the production of catalysts, licensing and services activities and in research and development ( R&D ) activities. In each of the third quarter and first nine months of 2015, our Technology segment incurred approximately 60% and 55% of all R&D costs compared to approximately 70% and 65% in the third quarter and first nine months of 2014, respectively.

The following table sets forth selected financial information for the Technology segment:

Millions of dollars	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Sales and other operating revenues	\$ 100	\$ 107	\$ 343	\$ 387
EBITDA	45	41	178	188

**Revenues** Revenues decreased by \$7 million, or 7%, in the third quarter of 2015 and by \$44 million, or 11%, in the first nine months of 2015 compared to the third quarter and first nine months of 2014, respectively.

The decline in revenues in the third quarter and first nine months of 2015 was primarily driven by unfavorable foreign currency translation impacts due to the significant weakening of the euro against the U.S. dollar, which decreased revenues by 15% and 13%, respectively. Higher licensing and services revenues related to incremental licenses issued in prior years increased revenues by 4% in the third quarter of 2015, while in the first nine months of 2015, a decrease in licensing and services revenues contributed 9% to the decline in revenues. The impact of these revenue decreases

were partially offset in both 2015 periods by higher catalyst revenues. Higher catalyst sales volumes and prices were responsible for revenue increases of 1% and 3% in the third quarter of 2015, respectively, and 10% and 1% in the first nine months of 2015 relative to the corresponding periods in 2014.

**Table of Contents**

**EBITDA** EBITDA increased by \$4 million, or 10%, in the third quarter of 2015 and decreased by \$10 million, or 5%, in the first nine months of 2015 compared to its respective periods in 2014.

The improvement in third quarter 2015 EBITDA reflects higher licensing and services revenues and the benefit of lower research and development expenses, partially offset by lower catalyst results. Lower catalyst margins more than offset the benefit of the higher volumes discussed above, resulting in the decline in catalyst results in the third quarter of 2015 compared to the third quarter of 2014. In the first nine months of 2015, the decrease in EBITDA was primarily due to the lower licensing and services revenues offset in part by the benefit of lower research and development expenses. Higher catalyst sales volumes in the first nine months of 2015 and a \$6 million benefit related to a reversal of environmental provision recognized in the second quarter of 2015 were substantially offset by lower margins.

**FINANCIAL CONDITION**

Operating, investing and financing activities of continuing operations, which are discussed below, are presented in the following table:

Millions of dollars	Nine Months Ended September 30,	
	2015	2014
Source (use) of cash:		
Operating activities	\$ 4,682	\$ 4,032
Investing activities	(1,103)	(2,895)
Financing activities	(3,106)	(4,388)
<b>Operating Activities</b>		

**2015** Cash of \$4,682 million provided in the first nine months of 2015 primarily reflected earnings adjusted for non-cash items, offset in part by cash used by the main components of working capital accounts receivable, inventories and accounts payable.

The \$105 million of cash used by the main components of working capital in the first nine months of 2015 reflects a \$501 million decrease in accounts payable and a \$12 million increase in inventories which were offset in part by a \$408 million decrease in accounts receivable. The decrease in accounts payable primarily reflects the lower cost of crude oil and other feedstocks. Lower product pricing in our O&P Americas, I&D and Refining segments stemming from the decline in crude oil prices contributed to the decrease in accounts receivable.

**2014** The \$4,032 million of cash provided in the first nine months of 2014 primarily reflected earnings and distributions from our joint ventures, adjusted for non-cash items, offset in part by contributions to our pension plans and cash used by the main components of working capital. Value added tax refunds of \$232 million from prior periods that were received from Italian tax authorities during the first nine months of 2014 also contributed to cash flow during that period.

The \$531 million of cash used by the main components of working capital in the first nine months of 2014 reflected increases of \$240 million and \$274 million in accounts receivable and inventories, respectively, as well as a \$17 million decrease in accounts payable.

The increase in accounts receivable at the end of the third quarter of 2014 primarily reflected higher O&P EAI, O&P Americas and I&D segment sales volumes. Lower accounts payable balances related to our O&P EAI and O&P Americas segments were offset by higher balances within our I&D segment.

**Table of Contents**

Higher crude oil and finished goods inventory levels in the Refining segment and higher oxyfuels and styrene inventories carried by the I&D segment at the end of the third quarter of 2014 were offset in part by a decline in our O&P Americas segment's olefins and polyethylene inventories from the levels carried at the end of 2013 in preparation of the 2014 turnarounds at our La Porte and Matagorda, Texas facilities.

**Investing Activities** We used cash of \$1,103 million and \$2,895 million in investing activities in the first nine months of 2015 and 2014, respectively.

In 2014, we began to invest cash in investment-grade and other high quality instruments that provide adequate flexibility to redeploy funds as needed to meet our cash flow requirements while maximizing yield. In the first nine months of 2015 and 2014, we invested \$1,723 million and \$2,529 million, respectively, in securities, which are deemed available-for-sale and classified as Short-term investments. We also invested \$397 million and \$275 million in tri-party repurchase agreements in the first nine months of 2015 and 2014, respectively. These investments are classified as short-term loans receivable except for \$101 million invested during the second quarter of 2015, which is classified as a long-term loan receivable. We received proceeds upon the sale and maturity of certain of our available-for-sale securities and repurchase agreements of \$1,638 million and \$300 million, respectively, in the first nine months of 2015 and \$924 million and \$75 million, respectively, in the corresponding periods of 2014. See Note 7 to the Consolidated Financial Statements for additional information regarding these investments.

The following table summarizes capital expenditures for the periods presented:

Millions of dollars	Nine Months Ended	
	September 30,	
	2015	2014
<b>Capital expenditures by segment:</b>		
O&P Americas	\$ 448	\$ 745
O&P EAI	114	105
I&D	287	147
Refining	84	79
Technology	16	14
Other	8	6
Consolidated capital expenditures of continuing operations	\$ 957	\$ 1,096

Our capital expenditures in the first nine months of 2015 and 2014 included debottlenecks of certain assets to enhance production, turnaround activities and expansion projects at several sites as well as other plant improvement projects and railcar purchases. The lower level of capital expenditures for our O&P Americas segment in the first nine months of 2015 was primarily due to the completion in 2015 of an ethylene expansion and turnaround at our La Porte, Texas facility and an ethylene expansion project at our Channelview, Texas facility. Capital expenditures for our I&D segment increased in the first nine months of 2015 compared to the first nine months of 2014 largely as a result of turnaround activities at our PO/SM plant in Channelview, Texas.

**Financing Activities** In the first nine months of 2015 and 2014, our financing activities used cash of \$3,106 million and \$4,388 million, respectively.

In the first nine months of 2015 and 2014, we made payments of \$3,436 million and \$4,347 million, respectively, to acquire approximately 39 million and 46 million, respectively, of our outstanding ordinary shares. We also made dividend payments totaling \$1,063 million and \$1,055 million during the first nine months of 2015 and 2014, respectively. For additional information related to these share repurchases and dividend payments, see Note 12 to the Consolidated Financial Statements.

We received net proceeds of \$231 million in the first nine months of 2015 through the issuance and repurchase of commercial paper instruments under our commercial paper program that commenced in October 2014.

---

**Table of Contents**

In March 2015, we issued \$1,000 million of 4.625% Notes due 2055 and received net proceeds of \$984 million. We issued \$1,000 million of 4.875% Notes due 2044 in February 2014 and received net proceeds of \$988 million. Additional information related to these notes can be found in the Liquidity and Capital Resources section below and in Note 6 to the Consolidated Financial Statements.

**Liquidity and Capital Resources** As of September 30, 2015, we had \$3,076 million of unrestricted cash and cash equivalents and marketable securities classified as Short-term investments. For additional information related to our purchases of marketable securities, which currently include certificates of deposit, commercial paper, bonds and a time deposit, see Investing Activities above and Note 7 to the Consolidated Financial Statements.

At September 30, 2015, we held \$1,035 million of cash in jurisdictions outside of the U.S., principally in the United Kingdom. Less than 3% of our outstanding cash balance is held in a country that has established government imposed currency restrictions that could impede the ability of our subsidiary to transfer funds to us. There currently are no other material legal or economic restrictions that would impede our transfers of cash.

We also had total unused availability under our credit facilities of \$2,785 million at September 30, 2015, which included the following:

\$1,466 million under our \$2,000 million revolving credit facility, which backs our \$2,000 million commercial paper program. Availability under this facility is net of outstanding borrowings, outstanding letters of credit provided under the facility and notes issued under our \$2,000 million commercial paper program. A small portion of our availability under this facility is impacted by changes in the euro/U.S. dollar exchange rate. At September 30, 2015, we had \$493 million of outstanding commercial paper, no outstanding letters of credit and no outstanding borrowings under the facility;

\$815 million under our \$900 million U.S. accounts receivable securitization facility. Availability under this facility is subject to a borrowing base of eligible receivables, which is reduced by outstanding borrowings and letters of credit, if any. This facility had no outstanding borrowings or letters of credit at September 30, 2015; and

441 million and \$11 million (totaling approximately \$504 million) under our 450 million European accounts receivable securitization facility. Availability under this facility is subject to a borrowing base, net of outstanding borrowings. There were no outstanding borrowings under this facility at September 30, 2015.

See Note 6 to the Consolidated Financial Statements for additional information related to our credit facilities.

We have \$620 million of outstanding letters of credit and bank guarantees issued under uncommitted credit facilities at September 30, 2015. At September 30, 2015, we had total debt, including current maturities, of \$8,318 million.

In March 2015, we issued \$1,000 million of 4.625% Notes due 2055 at a discounted price of 98.353%. Proceeds from these notes are being used for general corporate purposes, including repurchases of our ordinary shares. Interest payments under these notes commenced on August 26, 2015. These unsecured notes rank equally in right of payment to all of LyondellBasell N.V.'s existing and future unsubordinated indebtedness.

The notes may be redeemed before the date that is six months prior to the scheduled maturity date at a redemption price equal to the greater of 100% of the principal amount of the notes redeemed and the sum of the present values of the remaining scheduled payments of principal and interest (discounted at the applicable Treasury Yield plus 35 basis points) on the notes to be redeemed. The notes may also be redeemed on or after the date that is six months prior to the final maturity date of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest.

In June 2015, we entered into an agreement to extend the maturity of our senior revolving credit facility to June 2020. In September 2015, we entered into an agreement to reduce the letters of credit sublimit of our senior revolving credit facility from \$700 million to \$500 million.



## **Table of Contents**

In August 2015, we amended our U.S. accounts receivable securitization facility, which, among other things, decreased the purchase limit from \$1 billion to \$900 million, added a \$300 million uncommitted accordion feature and extended the term of the facility to August 2018.

In May 2015, our shareholders approved a proposal to authorize us to repurchase up to an additional 10%, or approximately 47 million, of our shares outstanding over the next eighteen months. Our share repurchase program does not have a stated dollar amount, and purchases may be made through open market purchases, private market transactions or other structured transactions. Repurchased shares could be retired or used for general corporate purposes, including for various employee benefit and compensation plans. As of September 30, 2015, we have purchased 19 million shares under this program for approximately \$1,725 million. As of October 20, 2015, we had approximately 25 million shares remaining under the current authorization. The timing and amount of additional shares repurchased will be determined by our Management Board based on its evaluation of market conditions and other factors.

In August 2014, we announced plans to build a world scale PO/TBA plant along the U.S. Gulf Coast with an annual capacity of 1 billion pounds of PO and 2 billion pounds of tertiary butyl alcohol ( TBA ) and its derivatives. Based on a preliminary timetable, the plant is scheduled to be operational in early 2020.

In August 2015, we announced the sale of Petroken Petroquimica Ensenada S.A., our Argentina-based, wholly owned subsidiary, which is expected to be completed in the fourth quarter of 2015. Net cash proceeds expected from this transaction is approximately \$162 million.

We may repay or redeem our debt, including purchases of our outstanding bonds in the open market, using cash on hand, cash from operating activities, proceeds from the issuance of debt, proceeds from asset divestitures, or a combination thereof. We plan to fund our ongoing working capital, capital expenditures, debt service and other funding requirements with cash from operations, which could be affected by general economic, financial, competitive, legislative, regulatory, business and other factors, many of which are beyond our control. Cash on hand, cash from operating activities, proceeds from the issuance of debt, or a combination thereof, may be used to fund the repurchase of shares under our share repurchase program.

We intend to continue to declare and pay quarterly dividends, with the goal of increasing the dividend over time, after giving consideration to our cash balances and expected results from operations.

We believe that our cash on hand, cash from operating activities and proceeds from our credit facilities provide us with sufficient financial resources to meet our anticipated capital requirements and obligations as they come due.

## **CURRENT BUSINESS OUTLOOK**

Thus far, the fourth quarter of 2015 reflects a more balanced global ethylene industry versus the transitional conditions that existed during the third quarter. We entered the fourth quarter with lower ethylene chain margins following the third quarter supply/demand rebalancing and crude oil price decline, but these chain margins remain healthy from a historical perspective. During the quarter, we expect typical seasonal behavior to negatively impact our oxyfuels, polyolefins, and refining businesses. We expect to complete planned outages at two of our Intermediate and Derivatives segment production sites and at one European olefins plant. We believe that the markets for our products will remain balanced to tight heading into 2016, with some tightening expected as industry turnaround activity increases in the spring.

During the first weeks of the fourth quarter of 2015, the operating environment of our O&P Americas segment continues to be favorable overall despite a significant decline in ethylene prices. The cost of natural gas and ethane feedstock remains low relative to oil-based alternatives. Sales and production volumes have been relatively consistent with the latter part of the third quarter. With the decline in prices during the third quarter of 2015, we expect lower average ethylene chain margins in the fourth quarter, but a continued decline is not expected. In preparation for first quarter 2016 turnaround activities at our Corpus Christi site, we intend to build inventory during the fourth quarter. We expect this activity to have an approximate \$30 million negative impact on our fourth quarter results.

## **Table of Contents**

We expect to see typical fourth quarter seasonal declines in olefins and polyolefins volumes in our O&P EAI segment. Polyolefins margins have declined from the level seen in the third quarter but remain higher than historical average levels. The planned maintenance at our olefins plant in Münchsmünster, Germany is scheduled to continue through October. Based on current margins, we expect our results to be negatively impacted by approximately \$15 million.

We expect our I&D segment results in the fourth quarter of 2015 to be negatively impacted by margin declines in our oxyfuels and C4 chemicals business as butane prices rise and gasoline prices fall with typical seasonal trends. Maintenance activities at our French PO/TBA plant, which we expect to be completed during the fourth quarter of 2015, will impact the production of propylene oxide and oxyfuels. This maintenance activity may have an approximately \$20 million negative impact on fourth quarter results.

During the fourth quarter, we expect maintenance at the Houston Refinery to impact fourth quarter results by approximately \$15 million to \$20 million.

## **CRITICAL ACCOUNTING POLICIES**

*Inventory* We account for our inventory using the last-in, first-out ( LIFO ) method of accounting.

The cost of raw materials, which represents a substantial portion of our operating expenses, and energy costs generally follow price trends for crude oil and/or natural gas. Crude oil and natural gas prices are subject to many factors, including changes in economic conditions. Fluctuation in the prices of crude oil, natural gas and their correlated products from period to period may result in the recognition of charges to adjust the value of inventory to the lower of cost or market in periods of falling prices and the reversal of those charges in subsequent interim periods as market prices recover. Accordingly, our cost of sales and results of operations may be affected by such fluctuations, as described below.

On May 1, 2010, upon emergence from bankruptcy, we recorded our inventory, which is primarily crude oil, natural gas, NGLs and correlated products derived therefrom, at fair value in accordance with the requirements of fresh-start accounting. The per barrel benchmark price of WTI crude oil at that date was \$86.15.

During 2014, we recorded LCM inventory valuation adjustments totaling \$760 million driven primarily by the decline in the price of crude oil and related declines in the prices of heavy liquids and other correlated products. A \$45 million charge was taken in the third quarter of 2014 which marked the beginning of the downward price trend. An additional \$715 million LCM inventory valuation adjustment was recognized in the fourth quarter of 2014 to reflect decreases in the price indices for crude oil and other correlated products of approximately 50% as compared to the third quarter of 2014. Since our inventory consists of manufactured products derived from crude oil, natural gas, natural gas liquids and correlated materials, as well as the associated feedstocks and intermediate chemicals, our inventory market values are generally influenced by changes in benchmark crude oil and heavy liquid values and prices for manufactured finished goods. The degree of influence of a particular benchmark may vary from period to period, as the composition of the dollar value LIFO pools change. Due to natural inventory composition changes, variation in pricing from period to period does not necessarily result in a linear LCM impact. Additionally, an LCM condition may arise due to a decline in a particular material that had previously provided a positive offset within a pool. As a result, market valuations and LCM conditions are dependent upon the composition and mix of materials on hand at the balance sheet date. In the measurement of an LCM adjustment, the numeric input value for determining the crude oil market price includes pricing that is weighted by volume of inventories held at a point in time, including WTI, Brent and Maya crude oils. At December 31, 2014, representative prices for crude oil and heavy liquids were \$47.59 per barrel and \$45.20 per barrel, respectively. These price inputs were calculated using a weighted average of the materials held in inventory on that date.

An additional LCM adjustment of \$92 million in the first quarter of 2015 was the result of further volatility in the aforementioned benchmark prices and the effect on correlated products. Market price declines in ethylene, benzene

## **Table of Contents**

and ethylene glycol were the primary contributors to the LCM adjustment in the first quarter of 2015. Representative prices used in the calculation of this LCM adjustment were 35 cents per pound for ethylene, \$2.42 per gallon for benzene and 29 cents per pound for ethylene glycol.

Despite minor price recoveries in the second quarter which resulted in a net LCM reversal of \$9 million, further significant declines in benchmark prices led to a third quarter pre-tax LCM charge of \$181 million. Year-to-date LCM adjustments totaled \$264 million. Primary contributors to the year-to-date LCM adjustments were price reductions in crude oil, ethylene, propylene, benzene, PO and styrene. Representative prices used in the calculation of the year-to-date LCM adjustment were \$38.63 per barrel, 20 cents per pound, 27 cents per pound, \$2.04 per gallon, 52 cents per pound and 40 cents per pound, respectively. For additional information related to these LCM adjustments, see Note 14 to the Consolidated Financial Statements.

Currently all but one of our LIFO inventory pools are at-risk for further adjustment as each impacted LIFO pool is at, or close to, the calculated market value at the last balance sheet measurement date. At-risk inventory accounts for \$3.4 billion of our total inventory carrying value of \$4.2 billion as of September 30, 2015. The extent to which further adjustment may occur is dependent on the pool specific product prices and composition within each individual dollar value LIFO pool at the balance sheet date. Further sustained price declines in our finished goods and raw materials could result in future LCM inventory valuation charges during the fourth quarter of 2015. However, if pricing trends reverse, some or all of these 2015 charges could be reversed at year end.

## **ACCOUNTING AND REPORTING CHANGES**

For a discussion of the potential impact of new accounting pronouncements on our consolidated financial statements, see Note 2 to the Consolidated Financial Statements.

---

**Table of Contents**

**CAUTIONARY STATEMENT FOR THE PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify our forward-looking statements by the words anticipate, estimate, believe, continue, could, intend, may, plan, potential, predict, should, will, projection, forecast, goal, guidance, outlook, effort, target and similar expressions.

We based the forward-looking statements on our current expectations, estimates and projections about ourselves and the industries in which we operate in general. We caution you that these statements are not guarantees of future performance as they involve assumptions that, while made in good faith, may prove to be incorrect, and involve risks and uncertainties we cannot predict. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecast in the forward-looking statements. Any differences could result from a variety of factors, including the following:

the cost of raw materials represents a substantial portion of our operating expenses, and energy costs generally follow price trends of crude oil and/or natural gas; price volatility can significantly affect our results of operations and we may be unable to pass raw material and energy cost increases on to our customers due to the significant competition that we face, the commodity nature of our products and the time required to implement pricing changes;

our U.S. operations have benefited from low-cost natural gas and natural gas liquids; decreased availability of these materials (for example, from their export or regulations impacting hydraulic fracturing in the U.S.) could reduce the current benefits we receive;

if crude oil prices fell materially, or decrease relative to U.S. natural gas prices, we would see less benefit from low-cost natural gas and natural gas liquids and it could have a negative effect on our results of operations;

industry production capacities and operating rates may lead to periods of oversupply and low profitability; for example, there has been substantial capacity expansion announced in the U.S. olefins industry;

we may face operating interruptions (including leaks, explosions, fires, weather-related incidents, mechanical failure, unscheduled downtime, supplier disruptions, labor shortages, strikes, work stoppages or other labor difficulties, transportation interruptions, spills and releases and other environmental incidents) at any of our facilities, which would negatively impact our operating results; for example, because the Houston refinery is our only refining operation, we would not have the ability to increase production elsewhere to mitigate the impact of any outage at that facility;

environmental and other regulations may negatively impact our business by, among other things, restricting our operations, increasing costs of operations or requiring significant capital expenditures;

we may not be able to protect our market position or otherwise pass on cost increases to our customers due to the significant competition we face as a result of the commodity nature of many of our products;

changes in general economic, business, political and regulatory conditions in the countries or regions in which we operate could increase our costs, restrict our operations and reduce our operating results;

our ability to implement business strategies and execute our organic growth plans may be negatively affected or restricted by, among other things, our ability to complete projects on time and on budget and other events that may affect our ability to develop projects and strategies;

uncertainties associated with worldwide economies could create reductions in demand and pricing, as well as increased counterparty risks, which could reduce liquidity or cause financial losses resulting from counterparty default;

**Table of Contents**

the negative outcome of any legal, tax and environmental proceedings or changes in laws or regulations regarding legal, tax and environmental matters may increase our costs or otherwise limit our ability to achieve savings under current regulations;

any loss or non-renewal of favorable tax treatment under agreements or treaties, or changes in laws, regulations or treaties, may substantially increase our tax liabilities;

we may be required to reduce production or idle certain facilities because of the cyclical and volatile nature of the supply-demand balance in the chemical and refining industries, which would negatively affect our operating results;

we rely on continuing technological innovation, and an inability to protect our technology, or others technological developments could negatively impact our competitive position;

we have substantial international operations, and continued economic uncertainties, fluctuations in exchange rates, valuations of currencies and our possible inability to access cash from operations in certain jurisdictions on a tax-efficient basis, if at all, could negatively affect our liquidity and our results of operations;

we are subject to the risks of doing business at a global level, including wars, terrorist activities, political and economic instability and disruptions and changes in governmental policies, which could cause increased expenses, decreased demand or prices for our products and/or disruptions in operations, all of which could reduce our operating results;

if we are unable to comply with the terms of our credit facilities, indebtedness and other financing arrangements, those obligations could be accelerated, which we may not be able to repay; and

we may be unable to incur additional indebtedness or obtain financing on terms that we deem acceptable, including for refinancing of our current obligations; higher interest rates and costs of financing would increase our expenses.

Any of these factors, or a combination of these factors, could materially affect our future results of operations and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of future performance, and our actual results and future developments may differ materially from those projected in the forward-looking statements. Our management cautions against putting undue reliance on forward-looking statements or projecting any future results based on such statements or present or prior earnings levels.

All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section and any other cautionary statements that may accompany such forward-looking statements. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements.





---

**Table of Contents**

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our exposure to market and regulatory risks is described in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2014. Our exposure to such risks has not changed materially in the nine months ended September 30, 2015, except as indicated below.

**Foreign Exchange Risk**

We manufacture and market our products in a number of countries throughout the world and, as a result, are exposed to changes in foreign currency exchange rates. We enter into transactions in currencies other than the applicable functional currency.

A significant portion of our reporting entities use the euro as their functional currency. Our reporting currency is the U.S. dollar. The translation gains or losses that result from the process of translating the euro denominated financial statements to U.S. dollars are deferred in accumulated other comprehensive income until such time as those entities may be liquidated or sold. Changes in the value of the U.S. dollar relative to the euro can therefore have a significant impact on comprehensive income. We previously have not attempted to minimize or mitigate the foreign currency risks resulting from the translation of assets and liabilities of non-U.S. operations into our reporting currency.

In the third quarter of 2015, we entered into 850 million (\$944 million) cross-currency floating-to-floating interest rate swaps (basis swaps) to reduce our exposure to volatility from foreign currency fluctuations associated with our net investment in foreign operations. These swaps, which have been classified as net investment hedges, will mature between September 2016 and September 2018. Under these contracts, we will make interest payments in euros at 3 Month EURIBOR plus basis and will receive interest in U.S. dollars at 3 Month LIBOR. Upon the maturities of these contracts, we will pay the principal amount in euros and receive U.S. dollars from our counterparties. At September 30, 2015, a 10% fluctuation in foreign currency rates will have a \$95 million impact on Other comprehensive income (loss). A 10% fluctuation in the EURIBOR and LIBOR interest rates at September 30, 2015 will have an immaterial impact on Other comprehensive income (loss).

**Item 4. CONTROLS AND PROCEDURES**

As of September 30, 2015 with the participation of our management, our Chief Executive Officer (principal executive officer) and our principal financial officer carried out an evaluation, pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the Act), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Act). Based upon that evaluation, our Chief Executive Officer and our principal financial officer concluded that our disclosure controls and procedures were operating effectively as of September 30, 2015.

There have been no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) of the Act, in the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents****PART II. OTHER INFORMATION****Item 1. LEGAL PROCEEDINGS**

Information regarding our litigation and other legal proceedings can be found in Note 11, *Commitments and Contingencies*, to the Consolidated Financial Statements, which is incorporated into this Item 1 by reference.

The following is a description of environmental proceedings to which a governmental authority is a party and potential monetary sanctions are \$100,000 or more.

In July 2015, the Texas Commission on Environmental Quality ( TCEQ ) issued a proposed Agreed Order to Houston Refining LP pertaining to a Clean Air Act Title V air permit inspection covering the years 2013 and 2014. TCEQ has asserted an administrative penalty demand for this matter of \$118,127 and we are currently awaiting the approval of the Agreed Order by the TCEQ Commissioners.

Also in July 2015, the TCEQ issued a proposed Agreed Order to Houston Refining LP pertaining to an emissions event which occurred in August 2014. TCEQ has asserted an administrative penalty demand for this matter of \$100,000 and we are currently awaiting the approval of the Agreed Order by the TCEQ Commissioners.

Additional information about certain environmental proceedings can be found in Part I, Item 3 of our 2014 Annual Report on Form 10-K.

**Item 1A. RISK FACTORS**

There have been no material changes from the risk factors disclosed in Item 1A of our 2014 Annual Report on Form 10-K.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Issuer Purchases of Equity Securities**

				Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)		Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (1)	
Period		Total Number of Shares Purchased	Average Price Paid per Share				
July 1	July 31	2,991,123	\$ 96.46	2,991,123		40,530,786	
August 1	August 31	4,450,605	\$ 85.67	4,450,605		36,080,181	
September 1	September 30	8,044,215	\$ 83.55	8,044,215		28,035,966	
Total		15,485,943	\$ 86.65	15,485,943		28,035,966	

- (1) On May 6, 2015, we announced a share repurchase program of up to 47,250,519 of our ordinary shares through November 6, 2016. The maximum number of shares that may yet be purchased is not necessarily an indication of the number of shares that will ultimately be purchased.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

---

**Table of Contents**

**Item 6. EXHIBITS**

10.1	Second Amendment to Receivables Purchase Agreement, dated as of August 26, 2015, among Lyondell Chemical Company, as servicer, LYB Receivables LLC, as seller, the conduit purchasers, related committed purchasers, LC participants and purchaser agents party thereto, the other parties thereto and Mizuho Bank, Ltd., as Administrator and LC Bank (incorporated by reference to Exhibit 10 to our Current Report on Form 8-K filed with the SEC on August 28, 2015)
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32	Certifications pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

**Table of Contents**

**SIGNATURE**

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

**LYONDELLBASELL INDUSTRIES N.V.**

Date: October 23, 2015

*/s/ William B. Allen, Jr.*  
William B. Allen, Jr.  
Vice President of Finance  
(Principal Financial and Accounting Officer)