

LyondellBasell Industries N.V.
Form 10-Q
July 25, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

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)

The Netherlands

98-0646235

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**1221 McKinney St.,
Suite 300**

4th Floor, One Vine Street

Stationsplein 45

Houston, Texas

London

3013 AK Rotterdam

USA 77010

W1J0AH

The Netherlands

The United Kingdom

(Addresses of registrant's principal executive offices)

(713) 309-7200

+44 (0) 207 220 2600

+31 (0)10 275 5500

(Registrant's telephone numbers, including area codes)

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 Accelerated filer Non-accelerated filer Smaller reporting company

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

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 512,328,599 ordinary shares, 0.04 par value, outstanding at July 23, 2014 (excluding 66,103,516 treasury shares).

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.

TABLE OF CONTENTS

	Page
<u>Part I – Financial Information</u>	1
<u>Item 1. Unaudited Consolidated Financial Statements</u>	1
<u>Consolidated Statements of Income</u>	1
<u>Consolidated Statements of Comprehensive Income</u>	2
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Cash Flows</u>	5
<u>Consolidated Statement of Stockholders' Equity</u>	6
<u>Notes to the Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	32
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	51
<u>Item 4. Controls and Procedures</u>	51
<u>Part II – Other Information</u>	52
<u>Item 1. Legal Proceedings</u>	52
<u>Item 1A. Risk Factors</u>	52
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	53
<u>Item 4. Mine Safety Disclosures</u>	53
<u>Item 6. Exhibits</u>	54
<u>Signature</u>	55

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

Millions of dollars, except earnings per share	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Sales and other operating revenues:				
Trade	\$ 11,924	\$ 10,830	\$ 22,842	\$ 21,244
Related parties	193	273	410	528
	12,117	11,103	23,252	21,772
Operating costs and expenses:				
Cost of sales	10,255	9,496	19,832	18,649
Selling, general and administrative expenses	215	208	401	421
Research and development expenses	34	35	66	71
	10,504	9,739	20,299	19,141
Operating income	1,613	1,364	2,953	2,631
Interest expense	(96)	(70)	(188)	(141)
Interest income	7	5	13	7
Other income (expense), net	6	(9)	17	(3)
Income from continuing operations before equity investments and income taxes	1,530	1,290	2,795	2,494
Income from equity investments	68	43	129	102
Income from continuing operations before income taxes	1,598	1,333	2,924	2,596
Provision for income taxes	425	410	808	767
Income from continuing operations	1,173	923	2,116	1,829
Income (loss) from discontinued operations, net of tax	3	4	4	(2)
Net income	1,176	927	2,120	1,827
Net loss attributable to non-controlling interests	2	2	3	3
Net income attributable to the Company shareholders	\$ 1,178	\$ 929	\$ 2,123	\$ 1,830

Earnings per share:**Net income attributable to the Company
shareholders****Basic:**

Continuing operations	\$	2.24	\$	1.61	\$	3.96	\$	3.18
Discontinued operations		0.01		0.01		0.01		--
	\$	2.25	\$	1.62	\$	3.97	\$	3.18

Diluted:

Continuing operations	\$	2.22	\$	1.60	\$	3.93	\$	3.16
Discontinued operations		0.01		0.01		0.01		--
	\$	2.23	\$	1.61	\$	3.94	\$	3.16

See Notes to the Consolidated Financial Statements.

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

Millions of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	\$ 1,176	\$ 927	\$ 2,120	\$ 1,827
Other comprehensive income, net of tax				
Financial derivatives:				
Loss on forward interest rate swaps	--	--	(17)	--
Income tax benefit	--	--	(4)	--
Financial derivatives, net of tax	--	--	(13)	--
Unrealized gains on available-for-sale securities:				
Unrealized holding gains arising during the period	1	--	1	--
Unrealized gains on available-for-sale securities, net of tax	1	--	1	--
Defined pension and other postretirement benefit plans:				
Prior service cost arising during the period	--	--	--	(2)
Reclassification adjustment for amortization of prior service cost included in net income	1	1	2	2
Net actuarial loss arising during the period	--	--	(16)	--
Reclassification adjustment for net actuarial loss included in net income	2	7	5	14
Defined pension and other postretirement benefit plans, before tax	3	8	(9)	14
Income tax expense (benefit)	1	3	(8)	6
Defined pension and other postretirement benefit plans, net of tax	2	5	(1)	8
Foreign currency translations adjustment:				
Unrealized net change arising during the period	(58)	89	(40)	(104)
Income tax benefit	--	--	--	(2)
Foreign currency translations, net of tax	(58)	89	(40)	(102)
Total other comprehensive income (loss)	(55)	94	(53)	(94)

Comprehensive income	1,121	1,021	2,067	1,733
Comprehensive loss attributable to non-controlling interests	2	2	3	3
Comprehensive income attributable to the Company shareholders	\$ 1,123	\$ 1,023	\$ 2,070	\$ 1,736

See Notes to the Consolidated Financial Statements.

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.
CONSOLIDATED BALANCE SHEETS

Millions of dollars	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,030	\$ 4,450
Restricted cash	2	10
Short-term investments	1,299	--
Accounts receivable:		
Trade, net	3,993	3,828
Related parties	271	202
Inventories	5,326	5,279
Prepaid expenses and other current assets	784	830
Total current assets	13,705	14,599
Property, plant and equipment at cost	11,835	11,151
Less: Accumulated depreciation	(3,095)	(2,694)
Property, plant and equipment, net	8,740	8,457
Investments and long-term receivables:		
Investment in PO joint ventures	418	421
Equity investments	1,702	1,629
Other investments and long-term receivables	58	64
Goodwill	602	605
Intangible assets, net	838	904
Other assets	593	619
Total assets	\$ 26,656	\$ 27,298

See Notes to the Consolidated Financial Statements.

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

Millions of dollars, except shares and par value data	June 30, 2014	December 31, 2013
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 3	\$ 1
Short-term debt	55	58
Accounts payable:		
Trade	2,776	2,822
Related parties	914	750
Accrued liabilities	1,310	1,299
Deferred income taxes	570	580
 Total current liabilities	 5,628	 5,510
Long-term debt	6,766	5,776
Other liabilities	1,851	1,839
Deferred income taxes	1,623	1,659
Commitments and contingencies		
Stockholders' equity:		
Ordinary shares, 0.04 par value, 1,275 million shares authorized, 515,426,547 and 548,824,138 shares outstanding, respectively	31	31
Additional paid-in capital	10,379	10,382
Retained earnings	5,430	4,004
Accumulated other comprehensive income	43	96
Treasury stock, at cost, 63,005,568 and 29,607,877 ordinary shares, respectively	(5,130)	(2,035)
 Total Company share of stockholders' equity	 10,753	 12,478
Non-controlling interests	35	36
 Total equity	 10,788	 12,514
 Total liabilities and equity	 \$ 26,656	 \$ 27,298

See Notes to the Consolidated Financial Statements.

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of dollars	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net income	\$ 2,120	\$ 1,827
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	510	507
Amortization of debt-related costs	12	11
Equity investments		
Equity income	(129)	(102)
Distributions of earnings	52	44
Deferred income taxes	51	62
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(246)	(143)
Inventories	(53)	(151)
Accounts payable	142	93
Prepaid expenses and other current assets	167	(78)
Other, net	(28)	(25)
Net cash provided by operating activities	2,598	2,045
Cash flows from investing activities:		
Purchases of securities and other investments	(1,848)	--
Proceeds from sales and maturities of securities and other investments	347	--
Expenditures for property, plant and equipment	(758)	(778)
Restricted cash	8	4
Other	(6)	(23)
Net cash used in investing activities	(2,257)	(797)
Cash flows from financing activities:		
Repurchases of Company ordinary shares	(3,067)	(270)
Dividends paid	(697)	(490)
Issuance of long-term debt	992	--
Payments of debt issuance costs	(18)	--
Other, net	23	18
Net cash used in financing activities	(2,767)	(742)
Effect of exchange rate changes on cash	6	(5)

Increase (decrease) in cash and cash equivalents		(2,420)		501
Cash and cash equivalents at beginning of period		4,450		2,732
Cash and cash equivalents at end of period	\$	2,030	\$	3,233

See Notes to the Consolidated Financial Statements.

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

	Ordinary		Additional	Retained	Accumulated	Company	Non-
	Shares	Treasury	Paid-in		Other	Share of	
Millions of dollars	Issued		Capital	Earnings	Income	Equity	Interests
Balance, December 31, 2013	\$ 31	\$ (2,035)	\$ 10,382	\$ 4,004	\$ 96	\$ 12,478	\$ 36
Net income (loss)	--	--	--	2,123	--	2,123	(3)
Other comprehensive income	--	--	--	--	(53)	(53)	--
Share-based compensation	--	32	(3)	--	--	29	--
Dividends (\$1.30 per share)	--	--	--	(697)	--	(697)	--
Repurchases of Company ordinary shares	--	(3,127)	--	--	--	(3,127)	--
Other	--	--	--	--	--	--	2
Balance, June 30, 2014	\$ 31	\$ (5,130)	\$ 10,379	\$ 5,430	\$ 43	\$ 10,753	\$ 35

See Notes to the Consolidated Financial Statements.

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

	Page
1. <u>Basis of Presentation</u>	8
2. <u>Accounting and Reporting Changes</u>	8
3. <u>Discontinued Operations</u>	9
4. <u>Accounts Receivable</u>	10
5. <u>Inventories</u>	10
6. <u>Debt</u>	11
7. <u>Financial Instruments</u>	12
8. <u>Fair Value Measurement</u>	18
9. <u>Pension and Other Postretirement Benefits</u>	20
10. <u>Income Taxes</u>	21
11. <u>Commitments and Contingencies</u>	21
12. <u>Stockholders' Equity</u>	23
13. <u>Per Share Data</u>	27
14. <u>Segment and Related Information</u>	29

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 the 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, 2013.

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

Obligations from Joint and Several Liability Arrangements In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date*. This ASU defines how entities measure obligations from joint and several liability arrangements which are fixed at the reporting date and for which no U.S. GAAP guidance currently exists. The guidance requires entities to disclose the nature, amount and other information about those obligations. Retrospective presentation for all comparative periods presented is required. The ASU was effective for periods beginning after December 15, 2013. The adoption of this amendment did not have a material impact on the presentation of our Consolidated Financial Statements.

Presentation of an Unrecognized Tax Benefit In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or Tax Credit Carryforward Exists (a consensus of the Emerging Issues Task Force)*. Previous guidance did not explicitly address the balance sheet presentation of an unrecognized tax benefit when a net operating loss (NOL) or similar tax loss carryforward, or a tax credit carryforward exists. The amendments to the guidance require an entity to net its unrecognized tax benefits against the deferred tax assets for all same jurisdiction NOLs or similar tax loss carryforwards, or tax credit carryforwards. A gross presentation will be required only if such carryforwards are not available or would not be used by the entity to settle any additional income taxes resulting from disallowance of the uncertain tax position. This ASU requires prospective application and was effective for periods beginning after December 15, 2013. Retrospective presentation is permitted but not required. Our prospective adoption of this amendment did not have a material impact on the presentation of our Consolidated Financial Statements.

Accounting Guidance Issued But Not Adopted as of June 30, 2014

Discontinued Operations In April 2014, the FASB issued ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The amendments in this ASU clarify the criteria for reporting discontinued operations. Under this new guidance, only disposals representing a strategic shift in operations that have or will have a major effect on a company's operations should be presented as discontinued operations. Additional disclosures about the assets, liabilities, income and expenses of discontinued operations will also be

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

required. Prospective application of this ASU is required for public entities for annual and interim periods beginning on or after December 15, 2014. Early adoption is permitted. The application of this amendment will not have an impact on the presentation of our Consolidated Financial Statements.

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 ASC 606, *Revenue Recognition*. Under this new 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. The amendments in this ASU are effective for annual and interim periods beginning after December 15, 2016. Retrospective and modified retrospective application is allowed. We are currently assessing the impact of this amendment on our Consolidated Financial Statements.

Repurchase Agreements In June 2014, the FASB issued 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 are effective for interim and annual periods beginning after December 15, 2014. The application of this amendment is not expected to have a material impact on our Consolidated Financial Statements.

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 will be 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.

3. Discontinued Operations

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

Millions of dollars	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013		2014	2013	
Sales and other operating revenues	\$ -	\$ 3		\$ 1	\$ 8	
	\$ 7	\$ 4		\$ 7	\$ (2)	

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

Income (loss) from discontinued operations before income taxes							
Provision for income taxes	4	--	3	--			
Income (loss) from discontinued operations, net of tax	\$ 3	\$ 4	\$ 4	\$ (2)			

9

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

Future cash outflows will occur for activities associated with exit or disposal 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	Six Months Ended			
	June 30,		2013	
	2014		2013	
Beginning balance	\$	42	\$	59
Accretion expense		--		2
Cash payments		(7)		(16)
Effect of exchange rate changes		--		(1)
Ending balance	\$	35	\$	44

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

4. Accounts Receivable

Our allowance for doubtful accounts receivable, which is reflected in the Consolidated Balance Sheets as a reduction of accounts receivable, totaled \$33 million and \$43 million at June 30, 2014 and December 31, 2013, respectively.

5. Inventories

Inventories consisted of the following components:

Millions of dollars	June 30,		December 31,	
	2014		2013	
Finished goods	\$	3,390	\$	3,297

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

Work-in-process		289		253
Raw materials and supplies		1,647		1,729
Total inventories	\$	5,326	\$	5,279

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. Debt**

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

Millions of dollars	June 30, 2014	December 31, 2013
Senior Notes due 2019, \$2,000 million, 5.0%	\$ 2,000	\$ 2,000
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
Guaranteed Notes due 2044, \$1,000 million, 4.875% (\$12 million of discount)	988	--
Guaranteed Notes due 2023, \$750 million, 4% (\$9 million of discount)	741	740
Guaranteed Notes due 2043, \$750 million, 5.25% (\$22 million of discount)	728	728
Guaranteed Notes due 2027, \$300 million, 8.1%	300	300
Other	12	9
Total	6,769	5,777
Less current maturities	(3)	(1)
Long-term debt	\$ 6,766	\$ 5,776

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

Millions of dollars	June 30, 2014	December 31, 2013
\$2,000 million Senior Revolving Credit Facility	\$ --	\$ --
\$1,000 million U.S. Receivables Securitization Facility	--	--
450 million European Receivables Securitization Facility	--	--
Financial payables to equity investees	8	9
Precious metals financings	47	48
Other	--	1
Total short-term debt	\$ 55	\$ 58

Long-Term Debt

In February 2014, LYB International Finance B.V. (LYB Finance), a direct, 100% owned finance subsidiary of LyondellBasell Industries N.V., as defined in Rule 3-10(b) of Regulation S-X, issued \$1,000 million of 4.875% Notes due 2044 at a discounted price of 98.831%.

These unsecured notes, which are fully and unconditionally guaranteed by LyondellBasell Industries N.V., rank equally in right of payment to all of LYB Finance s existing and future unsecured indebtedness and to all of LyondellBasell s existing and future unsubordinated indebtedness. There are no significant restrictions that would impede the Guarantor from obtaining funds by dividend or loan from its subsidiaries. Subsidiaries are generally prohibited from entering into arrangements that would limit their ability to make dividends to or enter into loans with the Guarantor.

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.

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 20 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 2014, we amended and restated our revolving credit facility to, among other things, reduce undrawn pricing and extend the term of the facility to June 2019. This facility may be used for dollar and euro denominated borrowings and includes supporting up to \$700 million of dollar and euro denominated letters of credit. The balance of outstanding borrowings and letters of credit under the 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. At June 30, 2014, there were no borrowings or letters of credit outstanding under this facility.

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 June 30, 2014.

U.S. Receivables Securitization Facility Our U.S. accounts receivable securitization facility provides for up to \$1,000 million of 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. We are responsible for servicing the receivables. 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. At June 30, 2014, availability under this facility was \$1,000 million, as there were no borrowings or letters of credit outstanding under the facility.

At June 30, 2014 and 2013, our weighted average interest rates on outstanding short-term debt were 0.5% and 0.8%, respectively.

Debt Discount and Issuance Costs Amortization of debt discounts and debt issuance costs in the six months ended June 30, 2014 and 2013 resulted in amortization expense of \$12 million and \$11 million, 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.

Marketable Securities We invest cash not required for operations in investment-grade securities for periods not exceeding two years. Investments in securities with original maturities of three months or less are classified as Cash and cash equivalents. At June 30, 2014 and December 31, 2013, we had marketable securities classified as Cash and cash equivalents of \$1,417 million and \$3,482 million, respectively.

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

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 In 2014, we invested 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. Our investment in these tri-party repurchase agreements, which mature within the next twelve months, are treated as short-term loans receivable and are reflected in Prepaid expenses and other current assets on our Consolidated Balance Sheets. The balance of our investment at June 30, 2014 was \$200 million.

Commodity Prices We are exposed to commodity price volatility related to anticipated purchases of natural gas, 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 both our outstanding foreign currency balances and our future commitments. 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 June 30, 2014, foreign currency forward contracts in the notional amount of \$625 million, maturing in July 2014, 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 (expense), net, in the Consolidated Statements of Income reflected gains of \$2 million and less than \$1 million for the three and six months ended June 30, 2014, and losses of \$8 million and \$4 million for the three and six months ended June 30, 2013, respectively.

Forward-Starting Interest Rate Swaps In July 2013, we entered into forward-starting interest rate swaps with notional values totaling \$1,500 million to hedge the intra-day risk of changes in the forward U.S. Treasury rates for fixed-rate debt issuances in 2013. These forward starting interest rate swaps were terminated contemporaneously

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

with the pricing of \$750 million of guaranteed notes due 2023 and \$750 million of guaranteed notes due 2043. In February 2014, we entered into forward-starting interest rate swaps with a total notional value of \$500 million to hedge the risk of fluctuations in the forward USD 30 Year LIBOR Swap rate 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 designated these forward-starting interest rate swaps as cash flow hedges.

We paid cash of \$17 million to settle the liabilities related to these swaps agreements. The related deferred losses were recognized in AOCI and are being amortized as an increase to interest expense over the life of the related guaranteed note issuances using the effective interest method.

As of June 30, 2014, less than \$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 July 2014, we entered into interest rate swaps with a notional value of \$750 million as part of our current interest rate risk management strategy to achieve a desired proportion of variable versus fixed rate debt. The swaps, which have been designated as fair value hedges, effectively convert a portion of our \$2,000 million 5% senior notes due 2019 to floating rate debt based on USD LIBOR.

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 June 30, 2014. Refer to Note 8, *Fair Value Measurement*, for additional information regarding the fair value of available-for-sale securities.

Millions of dollars	June 30, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Commercial paper	\$ 965	\$ 1	\$ --	\$ 966
Bonds	170	--	--	170
Certificates of deposit	163	--	--	163
Total available-for-sale securities	\$ 1,298	\$ 1	\$ --	\$ 1,299

As of June 30, 2014, the commercial paper securities held by the Company had maturities between one and seven months, bonds had maturities between four and nineteen months and certificates of deposit mature within five and nineteen months.

The fair value and unrealized losses related to available-for-sale securities that were in an unrealized loss position for less than twelve months as of June 30, 2014 were \$78 million and less than \$1 million, respectively.

We received gross proceeds of \$272 million related to the maturity of certain available-for-sale securities during the three and six months ended June 30, 2014. None of our available-for-sale securities were sold during the three and six months ended June 30, 2014. There were no realized gains or realized losses related to the sale or maturity of these securities recognized during that time.

In addition, no losses related to other-than-temporary impairments of our available-for-sale investments have been recorded in Accumulated other comprehensive income during the three and six months ended June 30, 2014.

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

Financial Instruments The following table summarizes derivative and non-derivative financial instruments outstanding as of June 30, 2014 and December 31, 2013 that are measured at fair value on a recurring basis. Refer to Note 8, *Fair Value Measurement*, for additional information regarding the fair value of derivative and non-derivative financial instruments.

Millions of dollars	Balance Sheet Classification	June 30, 2014		December 31, 2013	
		Notional Amount	Fair Value	Notional Amount	Fair Value
Assets					
Derivatives:					
Embedded derivatives	Prepaid expenses and other current assets	\$ 21	\$ 1	\$ 47	\$ 3
Foreign currency	Prepaid expenses and other current assets	448	3	155	1
Non-derivatives:					
Available-for sale securities	Short-term investments	1,297	1,299	--	--
		\$ 1,766	\$ 1,303	\$ 202	\$ 4
Liabilities					
Derivatives:					
Commodities	Accrued liabilities	\$ 57	\$ 3	\$ 646	\$ 4
Embedded derivatives	Accrued liabilities	26	3	--	--
Foreign currency	Accrued liabilities	177	--	17	--
Non-derivatives:					
Performance share awards	Accrued liabilities	16	16	--	--
Performance share awards	Other liabilities	11	11	14	14
		\$ 287	\$ 33	\$ 677	\$ 18

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 June 30, 2014			Income Statement Classification
	Gain (Loss) Recognized in AOCI	Gain (Loss) Reclassified from AOCI to Income	Additional Gain (Loss) Recognized in Income	
Derivatives not designated as hedges:				
Commodities	\$ --	\$ --	\$ 7	Cost of sales
Embedded derivatives	--	--	(3)	Cost of sales
Foreign currency	--	--	3	Other income (expense), net
	\$ --	\$ --	\$ 7	

Millions of dollars	Three Months Ended June 30, 2013			Income Statement Classification
	Gain (Loss) Recognized in AOCI	Gain (Loss) Reclassified from AOCI to Income	Additional Gain (Loss) Recognized in Income	
Derivatives not designated as hedges:				
Embedded derivatives	\$ --	\$ --	\$ 22	Cost of sales
Foreign currency	--	--	7	Other income (expense), net
	\$ --	\$ --	\$ 29	

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

Millions of dollars	Effect of Financial Instruments Six Months Ended June 30, 2014				Income Statement Classification
	Gain (Loss) Recognized in AOCI	Gain (Loss) Reclassified from AOCI to Income	Additional Gain (Loss) Recognized in Income		
Derivatives designated as cash-flow hedges:					
Forward-starting interest rate swaps	\$ (17)	\$ --	\$ (1)		Interest expense
Derivatives not designated as hedges:					
Commodities	--	--	7		Cost of sales
Embedded derivatives	--	--	(5)		Cost of sales
Foreign currency	--	--	5		Other income (expense), net
	\$ (17)	\$ --	\$ 6		

Millions of dollars	Six Months Ended June 30, 2013				Income Statement Classification
	Gain (Loss) Recognized in AOCI	Gain (Loss) Reclassified from AOCI to Income	Additional Gain (Loss) Recognized in Income		
Derivatives not designated as hedges:					
Commodities	\$ --	\$ --	\$ (8)		Cost of sales
Embedded derivatives	--	--	25		Cost of sales
Foreign currency	--	--	(15)		Other income (expense), net
	\$ --	\$ --	\$ 2		

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 June 30, 2014 and December 31, 2013 that are measured at fair value on a recurring basis.

Millions of dollars	June 30, 2014			
	Fair Value	Level 1	Level 2	Level 3
Assets				
Derivatives:				
Embedded derivatives	\$ 1	\$ --	\$ 1	\$ --
Foreign currency	3	--	3	--
Non-derivatives:				
Available-for-sale securities	1,299	--	1,299	--
	\$ 1,303	\$ --	\$ 1,303	\$ --
Liabilities				
Derivatives:				
Commodities	\$ 3	\$ 3	\$ --	\$ --
Embedded derivatives	3	--	3	--
Non-derivatives:				
Performance share awards	27	27	--	--
	\$ 33	\$ 30	\$ 3	\$ --
December 31, 2013				
Assets	Fair Value	Level 1	Level 2	Level 3
Derivatives:				
Embedded derivatives	\$ 3	\$ --	\$ 3	\$ --
Foreign currency	1	--	1	--
	\$ 4	\$ --	\$ 4	\$ --
Liabilities				
Derivatives:				
Commodities	\$ 4	\$ 4	\$ --	\$ --

Non-derivatives:

Performance share awards	14		14		--		--
	\$	18	\$	18	\$	--	\$ --

There were no financial instruments measured on a recurring basis using Level 3 inputs and no transfers between Level 1 and Level 2 during the six months ended June 30, 2014 and the year ended December 31, 2013.

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

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 June 30, 2014 and December 31, 2013. Short-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	June 30, 2014				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Non-derivatives:					
Assets:					
Short-term loans receivable	\$ 200	\$ 200	\$ --	\$ 200	\$ --
Liabilities:					
Short-term debt	\$ 55	\$ 58	\$ --	\$ 50	\$ 8
Long-term debt	6,766	7,659	--	7,650	9
Total	\$ 6,821	\$ 7,717	\$ --	\$ 7,700	\$ 17

Millions of dollars	December 31, 2013				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Non-derivatives:					
Liabilities:					
Short-term debt	\$ 58	\$ 55	\$ --	\$ 44	\$ 11
Long-term debt	5,772	6,382	--	6,378	4
Total	\$ 5,830	\$ 6,437	\$ --	\$ 6,422	\$ 15

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 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:

Derivatives The fair value of our commodity derivatives and embedded derivatives is measured using the closing market price 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 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.

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

Short-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.

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

Long-Term Debt Fair value is calculated based on non-binding broker quotes obtained from well-established and recognized vendors of market data for debt valuations.

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.

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 June 30,			Six Months Ended June 30,		
	2014	2013		2014	2013	
Service cost	\$ 11	\$ 10	\$	22	\$ 22	
Interest cost	22	20		44	40	
Expected return on plan assets	(39)	(32)		(78)	(66)	
Actuarial and investment loss amortization	--	7		--	13	
Net periodic benefit (credits) costs	\$ (6)	\$ 5	\$	(12)	\$ 9	

Millions of dollars	Non-U.S. Plans					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013		2014	2013	
Service cost	\$ 7	\$ 7	\$	15	\$ 25	
Interest cost	12	11		23	21	
Expected return on plan assets	(7)	(6)		(13)	(11)	
Settlements (gain) loss	--	--		(1)	2	
Prior service cost amortization	1	1		2	2	
Actuarial and investment loss amortization	1	--		2	--	
Net periodic benefit costs	\$ 14	\$ 13	\$	28	\$ 39	

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

Millions of dollars	U.S. Plans							
	Three Months Ended			Six Months Ended				
	June 30,		June 30,		June 30,			
	2014	2013	2014	2013	2014	2013		
Service cost	\$	1	\$	1	\$	2	\$	2
Interest cost		3		3		7		6
Actuarial loss amortization		- -		- -		2		1
Net periodic benefit costs	\$	4	\$	4	\$	11	\$	9

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

Millions of dollars	Non-U.S. Plans							
	Three Months Ended			Six Months Ended				
	June 30,			June 30,				
	2014	2013	2014	2013	2014	2013		
Interest cost	\$	--	\$	--	\$	1	\$	1
Actuarial loss amortization		1		--		1		--
Net periodic benefit costs	\$	1	\$	--	\$	2	\$	1

The Company contributed \$42 million to its pension plans during the six months ended June 30, 2014, which consisted of \$3 million and \$39 million to its U.S. and non-U.S. pension plans, respectively. We have revised our expected annual contributions for our U.S. pension plans in 2014 to \$8 million.

10. Income Taxes

Our effective income tax rate for the second quarter of 2014 was 26.6% compared with 30.8% for the second quarter of 2013. For the first six months of 2014, the effective income tax rate was 27.6% compared with 29.5% for the first six months of 2013. 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.

Compared with the second quarter of 2013, the effective tax rate for the second quarter of 2014 was lower primarily due to increases in non-taxable income, internal financing and foreign exchange losses, which were partially offset by changes in valuation allowances. Compared with the six months of 2013, the effective tax rate for the six months of 2014 was lower primarily due to increases in non-taxable income and internal financing, partially offset by changes in valuation allowances.

We monitor income tax legislative developments in countries where we are tax resident. 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.

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 \$114 million and \$120 million as of June 30, 2014 and December 31, 2013, respectively. At June 30, 2014, the accrued liabilities for individual sites range from less than \$1 million to \$22 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.

Table of Contents

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

Millions of dollars	Six Months Ended	
	2014	June 30, 2013
Beginning balance	\$ 120	\$ 126
Amounts paid	(3)	(2)
Foreign exchange effects	(1)	(1)
Other	(2)	--
Ending balance	\$ 114	\$ 123

Access Indemnity Demand In December 2010, one of our subsidiaries received demand letters from affiliates of Access Industries (collectively, Access), 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.* (*Weisfelner*), Adversary 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 them 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 affiliates 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 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 June 30, 2014, we had not accrued any significant

amounts for our indemnification obligations, and we are not aware of circumstances that would likely

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 distribution The following table presents the dividends paid in the periods presented:

Millions of dollars, except per share amounts	Dividend Per Ordinary Share	Aggregate Dividends Paid	Date of Record
March	\$ 0.60	\$ 327	March 3, 2014
May	0.70	370	April 28, 2014
	\$ 1.30	\$ 697	

Share Repurchase Programs During the second quarter of 2014, we completed the repurchase of shares authorized under our share repurchase program announced in May 2013 (May 2013 Share Repurchase Program), under which we could repurchase up to 10% of our outstanding ordinary shares. In April 2014, our shareholders approved a proposal to authorize us to repurchase up to an additional 10% of our outstanding ordinary shares through October 2015 (April 2014 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 for the six months ended June 30, 2014:

Millions of dollars, except shares and per share amounts	Six Months Ended June 30, 2014		
	Shares Repurchased	Average Purchase Price	Total Purchase Price, Including Commissions

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

May 2013 Share Repurchase Program	30,225,236	\$	90.31	\$	2,730
April 2014 Share Repurchase Program	4,003,964		99.25		397
	34,229,200	\$	91.36	\$	3,127

Due to the timing of settlements, total cash paid for share repurchases under the April 2014 Share Repurchase Program was \$337 million.

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:

	Six Months Ended June 30,	
	2014	2013
Ordinary shares outstanding:		
Beginning balance	548,824,138	575,216,709
Share-based compensation	818,836	625,132
Warrants exercised	100	7,666
Employee stock purchase plan	12,673	13,983
Purchase of ordinary shares	(34,229,200)	(5,362,200)
Ending balance	515,426,547	570,501,290

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

	Six Months Ended June 30,	
	2014	2013
Ordinary shares held as treasury shares:		
Beginning balance	29,607,877	3,206,033
Share-based compensation	(818,836)	(625,132)
Warrants exercised	-	1,608
Employee stock purchase plan	(12,673)	(13,983)
Purchase of ordinary shares	34,229,200	5,362,200
Ending balance	63,005,568	7,930,726

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accumulated Other Comprehensive Income The components of, and after-tax changes in, Accumulated other comprehensive income as of and for the six months ended June 30, 2014 and 2013 are presented in the following table:

Millions of dollars		Financial	Net Unrealized	Defined	Foreign	Total	
		Derivatives	Net of Tax	Pension	Currency		
			Gains	and Other	Translation		
			on Investments	Postretirement	Adjustments		
				Benefit			
				Plans			
Balance	January 1, 2014	\$ --	\$ --	\$ (140)	\$ 236	\$	96
Other comprehensive income	(loss) before reclassifications	(13)	1	(7)	(40)		(59)
Amounts reclassified from	accumulated other						
comprehensive income		--	--	6	--		6
Net other comprehensive	income (loss)	(13)	1	(1)	(40)		(53)
Balance	June 30, 2014	\$ (13)	\$ 1	\$ (141)	\$ 196	\$	43
Balance	January 1, 2013	\$ --	\$ --	\$ (422)	\$ 11	\$	(411)
Other comprehensive loss	before reclassifications	--	--	(2)	(102)		(104)
Amounts reclassified from	accumulated other						
comprehensive income		--	--	10	--		10
Net other comprehensive	income (loss)	--	--	8	(102)		(94)
Balance	June 30, 2013	\$ --	\$ --	\$ (414)	\$ (91)	\$	(505)

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 for the three and six months ended June 30, 2014 and 2013 are as follows:

Millions of dollars	Three Months Ended		Six Months Ended		Affected line item on
	June 30,	June 30,	June 30,	June 30,	the Consolidated
	2014	2013	2014	2013	Statements of Income
Reclassification adjustments for:					
Defined benefit pension and other postretirement plan items:					
Amortization of:					
Prior service cost	\$ 1	\$ 1	\$2	\$ 2	
Actuarial loss	2	7	5	14	
Reclassifications, before tax	3	8	7	16	
Income tax expense	- -	3	1	6	Provision for income taxes
Amounts reclassified out of Accumulated other comprehensive income	\$ 3	\$ 5	\$6	\$ 10	

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).

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 June 30,			
	2014		2013	
	Continuing Operations	Discontinued Operations	Continuing Operations	Discontinued Operations
Net income	\$ 1,173	\$ 3	\$ 923	\$ 4
Less: net loss attributable to non-controlling interests	2	--	2	--
Net income attributable to the Company shareholders	1,175	3	925	4
Net income attributable to participating securities	(4)	--	(3)	--
Net income attributable to ordinary shareholders basic and diluted	\$ 1,171	\$ 3	\$ 922	\$ 4
Millions of shares, except per share amounts				
Basic weighted average common stock outstanding	523	523	574	574
Effect of dilutive securities:				
Stock options	4	4	4	4
Potential dilutive shares	527	527	578	578
Earnings per share:				
Basic	\$ 2.24	\$ 0.01	\$ 1.61	\$ 0.01
Diluted	\$ 2.22	\$ 0.01	\$ 1.60	\$ 0.01
Participating securities	1.5	1.5	2.3	2.3

Dividends declared per share of common stock	\$	0.70	\$	--	\$	0.50	\$	--
--	----	------	----	----	----	------	----	----

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Millions of dollars	Six Months Ended June 30,			
	2014		2013	
	Continuing Operations	Discontinued Operations	Continuing Operations	Discontinued Operations
Net income (loss)	\$ 2,116	\$ 4	\$ 1,829	\$ (2)
Less: net loss attributable to non-controlling interests	3	--	3	--
Net income (loss) attributable to the Company shareholders	2,119	4	1,832	(2)
Net income attributable to participating securities	(6)	--	(6)	--
Net income (loss) attributable to ordinary shareholders basic and diluted	\$ 2,113	\$ 4	\$ 1,826	\$ (2)
Millions of shares, except per share amounts				
Basic weighted average common stock outstanding	533	533	574	574
Effect of dilutive securities:				
Stock options	4	4	4	4
Potential dilutive shares	537	537	578	578
Earnings per share:				
Basic	\$ 3.96	\$ 0.01	\$ 3.18	\$ --
Diluted	\$ 3.93	\$ 0.01	\$ 3.16	\$ --
Participating securities	1.5	1.5	2.3	2.3
Dividends declared per share of common stock	\$ 1.30	\$ --	\$ 0.90	\$ --

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 separately 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 and International (O&P EAI). Our O&P EAI segment produces and markets olefins, including ethylene and ethylene co-products, polyolefins, and polypropylene compounds.

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

In the first quarter of 2014, the chief operating decision maker began using EBITDA as the single measure for 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. All periods have been restated to reflect this change. Intersegment eliminations and items that are not directly related or allocated to business operations are included in Other.

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:

Three Months Ended June 30, 2014							
Millions of dollars	O&P Americas	O&P EAI	I&D	Refining	Technology	Other	Total
Sales and other operating revenues:							
Customers	\$ 2,270	\$ 4,015	\$ 2,675	\$ 3,044	\$ 113	\$ - -	\$ 12,117
Intersegment	1,192	54	31	206	31	(1,514)	- -
	3,462	4,069	2,706	3,250	144	(1,514)	12,117
EBITDA	978	319	430	137	71	6	1,941

Three Months Ended June 30, 2013							
Millions of dollars	O&P Americas	O&P EAI	I&D	Refining	Technology	Other	Total
Sales and other operating revenues:							
Customers	\$ 2,319	\$ 3,676	\$ 2,174	\$ 2,828	\$ 106	\$ - -	\$ 11,103
Intersegment	932	32	43	249	26	(1,282)	- -
	3,251	3,708	2,217	3,077	132	(1,282)	11,103
EBITDA	951	295	338	20	59	(11)	1,652

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Six Months Ended June 30, 2014**

Millions of dollars	O&P Americas	O&P EAI	I&D	Refining	Technology	Other	Total
Sales and other operating revenues:							
Customers	\$ 4,648	\$ 7,722	\$ 5,080	\$ 5,581	\$ 221	\$ - -	\$ 23,252
Intersegment	2,171	125	55	425	59	(2,835)	- -
	6,819	7,847	5,135	6,006	280	(2,835)	23,252
EBITDA	1,714	675	805	266	147	2	3,609

Six Months Ended June 30, 2013

Millions of dollars	O&P Americas	O&P EAI	I&D	Refining	Technology	Other	Total
Sales and other operating revenues:							
Customers	\$ 4,619	\$ 7,411	\$ 4,413	\$ 5,118	\$ 211	\$ - -	\$ 21,772
Intersegment	1,876	97	86	427	55	(2,541)	- -
	6,495	7,508	4,499	5,545	266	(2,541)	21,772
EBITDA	1,849	520	711	40	125	(8)	3,237

The O&P EAI segment operating results for the six months ended June 30, 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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
EBITDA:				
Total segment EBITDA	\$ 1,935	\$ 1,663	\$ 3,607	\$ 3,245
Other EBITDA	6	(11)	2	(8)
Less:				
Depreciation and amortization expense	(254)	(254)	(510)	(507)
Interest expense	(96)	(70)	(188)	(141)
Add:				

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

Interest income		7		5		13		7
Income from continuing operations before income taxes	\$	1,598	\$	1,333	\$	2,924	\$	2,596

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 generally subject to the cyclicity and volatility seen in the chemicals and refining industries.

Each of our business segments contributed to our achievement of record earnings in the first six months of 2014 and near record earnings in the second quarter. We were able to achieve this level of earnings despite scheduled maintenance in the second quarter of 2014 at our La Porte, Texas ethylene facility.

Significant items that affected our results during the first six months of 2014 relative to the same period in 2013 include:

Improved U.S. polyethylene results in the second quarter and first six months of 2014 driven by strong demand and industry supply constraints;

Lower U.S. olefins earnings in both 2014 periods due primarily to the extended expansion-related turnaround of our La Porte, Texas ethylene facility, which was completed in July;

Stronger acetyls results in the second quarter and first six months of 2014 benefitting our I&D segment's performance as a result of the restart of our methanol plant in Channelview, Texas, in December 2013; and

Improved refining margins in the second quarter and first six months of 2014 and higher crude processing rates at our Houston refinery in the first six months of 2014 relative to the first six months of 2013, which was negatively impacted by a major turnaround of one of our crude and coker units.

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

We repurchased approximately 19 million and 34 million of our ordinary shares during the second quarter and first six months of 2014, respectively, completing the initial 10% authorization and commencing purchases under the April 2014 authorization discussed below;

In April 2014, our shareholders authorized the repurchase of up to an additional 10% of our outstanding ordinary shares over the next eighteen months through open market or privately negotiated transactions;

In the second quarter of 2014, we increased our interim dividend to \$0.70 per share, representing an increase of \$0.10 per share, or 17%, over our first quarter 2014 interim dividend;

Table of Contents

Our corporate credit rating and our senior unsecured debt rating were raised by Standard & Poor's in January 2014 to BBB+ and BBB, respectively;

Our wholly owned subsidiary, LYB International Finance B.V., issued \$1 billion of 4.875% unsecured notes;

We continued construction of ethylene expansions at our La Porte and Channelview, Texas facilities, and in the first quarter of 2014, we completed a 200 million pound per year polyethylene expansion of our Matagorda, Texas facility; and

In April 2014, we received a permit issued by the Environmental Protection Agency authorizing us to commence construction of our ethylene expansion at our facility in Corpus Christi, Texas.

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

Millions of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Sales and other operating revenues	\$ 12,117	\$ 11,103	\$ 23,252	\$ 21,772
Cost of sales	10,255	9,496	19,832	18,649
Selling, general and administrative expenses	215	208	401	421
Research and development expenses	34	35	66	71
Operating income	1,613	1,364	2,953	2,631
Interest expense	(96)	(70)	(188)	(141)
Interest income	7	5	13	7
Other income (expense), net	6	(9)	17	(3)
Income from equity investments	68	43	129	102
Provision for income taxes	425	410	808	767
Income from continuing operations	1,173	923	2,116	1,829
Income (loss) from discontinued operations, net of tax	3	4	4	(2)
Net income	\$ 1,176	\$ 927	\$ 2,120	\$ 1,827

RESULTS OF OPERATIONS

Revenues Revenues increased by \$1,014 million, or 9%, and \$1,480 million, or 7%, in the second quarter and first six months of 2014, respectively, compared to the second quarter and first six months of 2013. Higher average sales prices, including the impact of favorable changes in foreign exchange rates, increased revenues by 7% and 3%, respectively, in the second quarter and first six months of 2014 compared to the second quarter and first six months of 2013. Increases in sales volumes in the second quarter and first six months of 2014 contributed 2% and 4%,

respectively, to the higher revenues relative to the corresponding periods in 2013.

In the second quarter of 2014, revenues reflect higher average sales prices for polyethylene, PP compounds, acetyls, refined products and oxyfuels relative to the second quarter of 2013. The benefit to second quarter 2014 revenues from the increased prices of these products was partially offset by lower average sale prices for olefins and styrene. Higher average sales prices for North American polyethylene, polypropylene, PP compounds, acetyls and refined products benefited revenues in the first six months of 2014. These revenue increases in the first six months of 2014 were offset in part by lower average sales prices for olefins, styrene and oxyfuels compared to the same period in 2013.

Table of Contents

The increases in sales volumes in the second quarter and first six months of 2014 were primarily in polyethylene, European butadiene, acetyls, PO and derivatives, oxyfuels, and for the first six months, in refined products. Polyethylene sales volumes in both 2014 periods benefited from improved demand in our O&P Americas and O&P EAI segments relative to 2013. The increase in butadiene volumes in Europe reflect the benefit of expanded butadiene extraction capacity installed in mid-2013. Sales volumes for acetyls were higher in the second quarter and first six months of 2014, primarily driven by the December 2013 restart of our methanol plant in Channelview, Texas. Higher first quarter refining volumes in 2014 compared to the turnaround-limited volumes in the first quarter of 2013 more than offset a slight decline in second quarter 2014 volumes relative to the same prior year period. Partly offsetting these increases in both 2014 periods were declines in North American olefins sales volumes and in European polypropylene, largely due to scheduled and unscheduled plant outages.

Cost of Sales Cost of sales increased by \$759 million and \$1,183 million in the second quarter and first six months of 2014, respectively, compared to the corresponding 2013 periods. The increase in Cost of sales in the second quarter and first six months of 2014 reflect the impact of higher volumes discussed above coupled with increased feedstock costs.

Higher feedstock costs in our O&P Americas segment for ethane and propane, and higher gas costs in the second quarter and first six months of 2014 were offset in part by lower heavy liquids prices in the first six months of 2014 compared to the second quarter and first six months of 2013. The increased cost of naphtha feedstock used in our O&P EAI segment also contributed to our increased Cost of sales in the second quarter and first six months of 2014. In our I&D segment, higher propylene, U.S. butane and benzene feedstock costs were partially mitigated by lower costs for European butane and benzene in the second quarter and first six months of 2014. Higher crude feedstock costs in the Refining segment also contributed to our higher Cost of sales for the second quarter and first six months of 2014.

Operating Income Operating income increased by \$249 million and \$322 million in the second quarter and first six months of 2014 compared to the second quarter and first six months of 2013, respectively. Operating income in the first six months of 2014 included a benefit of \$52 million related to the settlement of certain existing and future environmental liabilities under a 2005 indemnification agreement.

Operating income in the second quarter of 2014 reflected improvements in the operating results of all but our O&P EAI segment. The O&P EAI segment's second quarter 2014 operating results were relatively unchanged from the second quarter of 2013. For the first six months of 2014, higher operating results in our Refining, O&P EAI, I&D and Technology segments were offset in part by lower operating results for our O&P Americas segment. Operating results for each of our business segments are discussed further in the Segment Analysis section below.

Interest Expense Interest expense increased by \$26 million and \$47 million in the second quarter and first six months of 2014, respectively, compared to the second quarter and first six months of 2013, primarily due to the issuance of our 4% guaranteed notes due 2023 and 5.25% guaranteed notes due 2043 in July 2013 and 4.875% guaranteed notes due 2044 in February 2014.

Income from Equity Investments Income from equity investments increased by \$25 million and \$27 million in the second quarter and first six months of 2014, respectively, relative to its corresponding period in 2013. The increase in Income from equity investments reflects higher volumes and margins and improved operations from some of our joint ventures in the Middle East, Europe and Asia.

Income Tax Our effective income tax rate for the second quarter of 2014 was 26.6% compared with 30.8% for the second quarter of 2013. For the first six months of 2014, the effective income tax rate was 27.6% compared with 29.5% for the first six months of 2013. 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.

Compared with the second quarter of 2013, the effective tax rate for the second quarter of 2014 was lower primarily due to increases in non-taxable income, internal financing and foreign exchange losses, which were partially offset by changes in valuation allowances. Compared with the six months of 2013, the effective tax rate for the six months of 2014 was lower primarily due to increases in non-taxable income and internal financing, partially offset by changes in valuation allowances.

Table of Contents

We monitor income tax legislative developments in countries where we are tax resident. 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.

Comprehensive Income We had comprehensive income of \$1,123 million in the second quarter of 2014 compared to \$1,023 million in the second quarter of 2013, and \$2,070 million in the first six months of 2014 compared to \$1,736 million in the first six months of 2013. The increases in comprehensive income in the second quarter and first six months of 2014 were primarily due to the impacts of higher net income and unrealized net changes in foreign currency translation adjustments relative to the second quarter and first six months of 2013.

The predominant local currency of our operations outside the United States is the euro, which decreased relative to the value of the U.S. dollar during the second quarter of 2014 and the first six months of 2014 and 2013, but increased during the second quarter of 2013, resulting in gains and losses as reflected on 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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Sales and other operating revenues:				
O&P Americas segment	\$ 3,462	\$ 3,251	\$ 6,819	\$ 6,495
O&P EAI segment	4,069	3,708	7,847	7,508
I&D segment	2,706	2,217	5,135	4,499
Refining segment	3,250	3,077	6,006	5,545
Technology segment	144	132	280	266
Other, including intersegment eliminations	(1,514)	(1,282)	(2,835)	(2,541)
Total	\$ 12,117	\$ 11,103	\$ 23,252	\$ 21,772
Income (loss) from equity investments:				
O&P Americas segment	\$ 6	\$ 8	\$ 10	\$ 12
O&P EAI segment	63	31	117	85
I&D segment	(1)	4	2	5
Total	\$ 68	\$ 43	\$ 129	\$ 102
EBITDA:				
O&P Americas segment	\$ 978	\$ 951	\$ 1,714	\$ 1,849
O&P EAI segment	319	295	675	520
I&D segment	430	338	805	711
Refining segment	137	20	266	40
Technology segment	71	59	147	125
Other, including intersegment eliminations	6	(11)	2	(8)

Total	\$	1,941	\$	1,652	\$	3,609	\$	3,237
-------	----	-------	----	-------	----	-------	----	-------

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.

Results were lower for the first six months of 2014 as compared to the first six months of last year reflecting the impact of lower olefins volumes and lower olefins margins in the first quarter of 2014, largely offset by substantial year over year improvement in polyethylene margins. Results for the second quarter of 2014 improved slightly over the corresponding quarter in 2013 as polyethylene margin improvements continued to offset the decline in olefins volumes caused by the turnaround at our La Porte, Texas ethylene facility.

Table of Contents

Polypropylene results also improved in the second quarter and first six months of 2014 compared to the same 2013 periods as steadily declining propylene feedstock costs benefited margins.

Our third quarter 2014 results are expected to be negatively impacted by a delay in the start-up of our La Porte, Texas ethylene facility due in part to equipment issues following the expansion-related turnaround that commenced in March 2014.

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 related to natural gas prices in the U.S.; 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 throughout 2013 and have continued to favor NGLs into 2014. During the second quarter and first six months of 2014, we produced approximately 85% of our U.S. ethylene production from NGLs.

Based on current trends and assuming the price of crude oil remains at a high level relative to natural gas, we would expect production economics in the U.S. to continue to favor NGLs for the near and mid-term.

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 June 30,			Six Months Ended June 30,		
	2014	2013	Change	2014	2013	Change
Crude oil, dollars per barrel:						
WTI	102.99	94.17	9%	100.84	94.30	7%
LLS	105.55	104.64	1%	104.97	109.10	(4)%
Natural gas (Henry Hub), dollars per million BTUs						
United States, cents per pound:						
Weighted average cost of ethylene production	17.1	15.7	9%	18.6	14.7	27%
Ethylene	47.2	46.3	2%	47.8	47.2	1%
Polyethylene (high density)	77.0	68.7	12%	76.7	67.7	13%
Propylene - polymer grade	69.7	63.3	10%	71.5	69.2	3%
Polypropylene	84.7	76.2	11%	86.5	82.1	5%

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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Sales and other operating revenues	\$ 3,462	\$ 3,251	\$ 6,819	\$ 6,495

Income from equity investments	6	8	10	12
EBITDA	978	951	1,714	1,849

Revenues Revenues for our O&P Americas segment increased by \$211 million, or 6%, in the second quarter of 2014 compared to the second quarter of 2013 and by \$324 million, or 5%, in the first six months of 2014 compared to the first six months of 2013.

Revenues increased by 6% in each of the second quarter and first six months of 2014 due to higher average sales prices. The impact of higher average sales prices for polyethylene and polypropylene was offset in part by lower average olefins sales prices during the 2014 periods. We saw higher average polyethylene prices in the second quarter and first six months of 2014 due to tightness related to higher demand and industry supply issues in the polyethylene market. Higher average polypropylene prices in the 2014 periods also reflect a market environment that was more favorable than in the respective 2013 periods. Relative to the second quarter and first six months of 2013, the lower average olefins sales prices in the second quarter and first six months of 2014 primarily reflect lower ethylene prices in the Texas market due to industry logistics constraints.

Sales volumes were relatively unchanged in the second quarter of 2014 compared to the second quarter of 2013 as the impact of lower olefins volumes during the second quarter of 2014 was substantially offset by higher

Table of Contents

polyethylene volumes. In the first six months of 2014, lower sales volumes resulted in a revenue decrease of 1% compared to the first six months of 2013. Lower olefins volumes were partially offset by higher polyethylene and other co-product volumes and by higher polypropylene volumes in the first six months of 2014. Olefins volumes were negatively impacted during the 2014 periods by first quarter production constraints and a turnaround at our La Porte, Texas facility. Olefins inventory in the second quarter was depleted and spot purchases increased to meet demand as production was constrained due to the La Porte turnaround. The higher polyethylene volumes reflect firm market demand throughout the first half of 2014. This is in contrast to lower polyethylene sales volumes in the second quarter of 2013 due to tight supply in preparation for turnarounds at our Clinton, Iowa and Chocolate Bayou, Texas facilities. Polypropylene sales volumes were higher in the first six months of 2014, due to the absence of planned outages seen in 2013 and steadier demand with reduced propylene feedstock price volatility.

EBITDA EBITDA increased by \$27 million, or 3%, in the second quarter of 2014 compared to the second quarter of 2013. This 3% increase comprises a 16% increase related to margins and a 13% decrease as a result of lower volumes. In the first six months of 2014, EBITDA decreased by \$135 million, or 7%, compared to the first six months of 2013. The 7% decline in EBITDA resulted from a 21% decrease due to lower volumes offset by a 14% increase due to higher margins.

Volumes in the second quarter and first six months of 2014 reflect lower olefins sales volumes due to a decrease in production related to the turnaround at our La Porte, Texas ethylene facility and, in the first six months of 2014, by unplanned outages at La Porte and other facilities.

Polyethylene margins improved during the second quarter of 2014 as the average sales price for polyethylene increased and ethylene feedstock prices declined. Polyethylene prices increased during the period largely due to tightness in the polyethylene market stemming from industry supply and logistics issues. Some of these issues also caused regional price dislocations that resulted in lower ethylene prices in Texas. Margins for polypropylene and olefins were also higher in the second quarter 2014 compared to the same period in 2013. Polypropylene margins improved in the second quarter of 2014 compared to the second quarter of 2013 because of less volatility in propylene prices in the current period. Olefins margins in the second quarter of 2014 were higher than in the second quarter of 2013 due to the lower cost of NGLs and higher co-product values. However, olefins margins were negatively impacted by spot ethylene purchases made as part of the inventory build in preparation for the La Porte, Texas turnaround. The delayed restart of our ethylene facility at La Porte, Texas negatively impacted second quarter 2014 olefins results by approximately \$50 million.

The improvement in margins during the first six months of 2014 was largely due to higher polyethylene margins, which reflect higher average sales prices and lower ethylene feedstock prices. Similar to what happened in the second quarter of 2014, higher polyethylene prices and lower ethylene prices resulted from industry supply and logistics issues in the six month period. In the first six months of 2014, polypropylene margins also improved relative to the prior year period due to the continued strength in pricing that carried over from late 2013 along with steadily declining propylene prices over the 2014 period. The positive impact of these margin increases was partly offset by lower olefins margins that stemmed from lower ethylene prices and higher ethane feedstock costs compared to the first six months of 2013.

Olefins and Polyolefins Europe, Asia and International Segment

Overview Although market conditions for European producers remains highly competitive, the increase in European demand for polyolefins is consistent with the modest overall economic recovery that has been evidenced in the region. Higher operating results for our O&P EAI segment in the second quarter and first six months of 2014 primarily reflect margin improvements for polyethylene and polypropylene, higher olefins production volumes and better results from

our equity investments. These improvements were offset in part by lower olefin margins.

Table of Contents

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

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.

	Average Benchmark Price and Percent Change Versus Prior Year Period Average			Average Benchmark Price and Percent Change Versus Prior Year Period Average		
	2014	Three Months Ended June 30, 2013	Change	2014	Six Months Ended June 30, 2013	Change
Brent crude oil, dollars per barrel	109.76	103.35	6%	108.82	107.84	1%
Western Europe benchmark prices, 0.01 per pound:						
Weighted average cost of ethylene production	34.3	29.3	17%	33.6	32.7	3%
Ethylene	52.8	54.4	(3)%	53.8	56.5	(5)%
Polyethylene (high density)	54.8	56.8	(4)%	55.5	59.0	(6)%
Propylene	52.2	47.9	9%	51.7	49.3	5%
Polypropylene (homopolymer)	61.3	56.1	9%	60.6	57.6	5%
Average exchange rate, \$US per	1.37	1.31	5%	1.37	1.31	5%

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.

Millions of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Sales and other operating revenues	\$ 4,069	\$ 3,708	\$ 7,847	\$ 7,508
Income from equity investments	63	31	117	85
EBITDA	319	295	675	520

Revenues Revenues increased by \$361 million, or 10%, in the second quarter of 2014 compared to the second quarter of 2013 and by \$339 million, or 5%, in the first six months of 2014 compared to the first six months of 2013.

Higher sales volumes in the second quarter and first six months of 2014 increased revenues by 5% and 1%, respectively, compared to the second quarter and first six months of 2013. Higher butadiene volumes in both 2014 periods resulted from additional butadiene extraction capacity that was brought online in mid 2013. Polyethylene sales volumes were higher in the second quarter and first six months of 2014 largely due to improved European demand and an increase in low density polyethylene production capacity relative to the second quarter and first six months of 2013. Higher sales volumes for PP compounding in the first six months of 2014 reflect higher demand in the automotive industry relative to the first six months of 2013. These increases were partially offset by lower sales volumes for polypropylene in the first six months of 2014, largely due to a turnaround at our Al Waha joint venture facility during the first quarter of 2014 and the closure of our Clyde production facility in Australia.

Higher average sales prices, including the effect of favorable changes in foreign exchange rates, increased revenues by 5% and 4% in the second quarter and first six months of 2014, respectively, compared to the second quarter and first six months of 2013. Higher average sales prices for polypropylene and PP compounds during the 2014 periods

Table of Contents

were offset in part by lower average sales prices for butadiene. The average sales price for polyethylene increased in the second quarter of 2014 compared to the same period in 2013, but declined in the first six months of 2014 compared to the first six months of 2013.

EBITDA EBITDA increased by \$24 million, or 8%, in the second quarter of 2014 compared to the second quarter of 2013. This 8% increase consists of an 11% increase related to the improvement in income from our equity investments and a 3% increase related to the higher sales volumes discussed above, offset by a 6% decrease due to lower margins. In the first six months of 2014, EBITDA increased by \$155 million, or 30%, compared to the first six months of 2013. This 30% improvement reflects increases of 6% related to the higher sales volumes discussed above, 8% related to higher margins and 6% related to the improvement in income from our equity investments. The remaining increase of 10% reflects a \$52 million benefit related to a settlement for certain existing and future environmental claims under a 2005 indemnification agreement.

The higher contribution to our results by certain of our joint ventures, which is reflected in Income from equity investments in the second quarter and first six months of 2014, is largely due to higher sales volumes and better margins compared to the same periods in 2013.

Higher polyethylene results in the second quarter and first six months of 2014 reflect the impact of higher volumes and an improvement in European margins due mainly to lower ethylene feedstock costs and in the second quarter of 2014, higher average sales prices. Polypropylene results improved in the second quarter and first six months of 2014 as margin improvements from higher average sales prices more than offset the impact of the lower volumes discussed above. Although olefins volumes were higher in the second quarter and first six months of 2014, decreases in margins more than offset the favorable impacts of volume, resulting in lower olefins results. Higher naphtha feedstock costs and lower average ethylene and butadiene sales prices contributed to the lower olefin margins in the second quarter and first six months of 2014 compared to the same periods in 2013. Lower polypropylene compounding margins in North America due to higher polypropylene feedstock costs led to lower results in the second quarter of 2014 relative to the same period in 2013 while higher volumes in Europe discussed above contributed to higher results in the first six months of 2014 compared to the six months of 2013.

Intermediates and Derivatives Segment

Overview Results for our I&D segment remained strong in the second quarter and first six months of 2014 largely due to improvements in our acetyls, PO and derivatives and styrene businesses. These increases were offset in part by lower results for EO/EG in the second quarter of 2014 and oxyfuels in the first six 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 MTBE margins in Northwest Europe (NWE).

Millions of dollars	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Sales and other operating revenues	\$ 2,706	\$ 2,217	\$ 5,135	\$ 4,499
Income (loss) from equity investments	(1)	4	2	5
EBITDA	430	338	805	711

Market margins, cents per gallon

MTBE	NWE	90.7	88.4	76.8	96.6
------	-----	------	------	------	------

Revenues Revenues increased by \$489 million, or 22%, in the second quarter of 2014 compared to the second quarter of 2013 and by \$636 million, or 14%, in the first six months of 2014 compared to the first six months of 2013.

Table of Contents

Higher sales volumes increased revenues by 20% and 14% in the second quarter and first six months of 2014, respectively. Sales volumes improved across most products, especially acetyls, styrene, PO derivatives and oxyfuels. The increased acetyls sales volumes reflect higher sales of methanol as a result of the December 2013 restart of our methanol plant in Channelview, Texas. Styrene sales volumes were higher in the second quarter and first six months of 2014 as volumes in the corresponding 2013 periods were negatively affected by planned plant outages at our Channelview, Texas and Maasvlakte, The Netherlands facilities. PO derivatives sales volumes, particularly butanediol (BDO) and propylene glycol (PG), which were higher in the second quarter and first six months of 2014, reflect the impacts of stronger demand and favorable pricing in Asia and colder than usual winter weather in the U.S., respectively. Increased sales of ETBE in Asia led to the higher oxyfuels sales volumes in the second quarter and first six months of 2014.

Higher average sales prices for acetyls and oxyfuels, which were offset in part by the decline in average styrene sales prices, and the effect of favorable foreign exchange rates contributed 2% to the revenue increase in the second quarter of 2014 compared to the second quarter of 2013. In the first six months of 2014, average sales prices, including the effect of favorable foreign exchange rates, were relatively unchanged compared to the first six months of 2013, as a decline in average sales prices for oxyfuels and styrene was offset by the impact of higher average sales prices for acetyls.

Global industry supply constraints and limited supply capacity led to higher acetyls sales prices for methanol and vinyl acetate monomer (VAM), respectively, in the second quarter and first six months of 2014 compared to the same periods in 2013. Oxyfuels prices also increased in the second quarter of 2014 as the impact of higher Brent crude prices and the ETBE bio premium were only partly offset by weak demand for octane blending products compared to the second quarter of 2013. These increases were offset by declines in the average sales prices for styrene, reflecting weakened European demand combined with excess supply, and in the first six months of 2014, by lower oxyfuels prices, largely due to product mix and a lower price premium to gasoline for octane blending products compared to the same periods in 2013.

EBITDA EBITDA increased by \$92 million, or 27%, in the second quarter of 2014 compared to the second quarter of 2013. This 27% increase comprises a 29% increase due to the higher volumes discussed above, offset by a 1% decrease resulting from lower margins and a 1% decrease related to a decline in the level of earnings contributed by our equity investments. In the first six months of 2014, EBITDA increased by \$94 million, or 13%, compared to the first six months in 2013. This 13% improvement reflects a 24% increase related to the higher sales volumes discussed above, offset by an 11% decline related to lower margins.

Higher EBITDA results in the second quarter and first six months of 2014 reflect improvements in acetyls, PO and derivatives and styrene relative to the second quarter and first six months of 2013. These higher results were offset in part by lower oxyfuels results in the first six months of 2014. The impact of the December 2013 restart of our methanol plant in Channelview, Texas discussed above contributed approximately \$35 million and \$85 million to EBITDA in the second quarter and first six months of 2014, respectively.

Acetyls results in the second quarter and first six months of 2014 benefited from additional methanol volumes made available by the restart of our methanol plant in Channelview, Texas discussed above. Methanol margins, which were higher as increases in average sales prices were only partly offset by higher natural gas feedstock costs, also contributed to the higher acetyls results. PO and derivative results were higher in the second quarter and first six months of 2014 primarily due to the effect of the higher sales volumes discussed above. Higher styrene results in the second quarter and first six months of 2014 reflect the higher sales volumes discussed above and improved margins compared to the second quarter and first six months of 2013. The improved styrene margins benefited from decreases in the cost of benzene feedstock, which were offset in part by lower average sales prices, particularly in Europe.

Lower oxyfuels results in the first six months of 2014 reflected prices for octane additives that were lower than the comparable period in 2013, which saw unseasonably high first quarter blend premiums, as well as a shift in the level of sales between regions.

Table of Contents***Refining Segment***

Overview Results were higher in the second quarter and first six months of 2014 as margins improved over the same periods in 2013 on favorable increases in both the light crude oil margin and the Maya differential margin. Crude processing rates were slightly lower in the second quarter of 2014 compared to the same period in 2013 due to a brief period of planned maintenance on one of our crude units. Crude processing rates for the first six months of 2014 were higher than the comparable period in 2013, which was negatively impacted by a major first quarter turnaround.

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 crude oil, while Maya is a heavy crude oil.

Millions of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Sales and other operating revenues	\$ 3,250	\$ 3,077	\$ 6,006	\$ 5,545
EBITDA	137	20	266	40
Heavy crude oil processing rates, thousands of barrels per day	257	265	252	219
Market margins, dollars per barrel				
Light crude oil 2-1-1	\$ 17.29	\$ 14.63	\$ 15.27	\$ 13.13
Light crude oil Maya differential	9.72	6.95	12.41	8.95
Total Maya 2-1-1	\$ 27.01	\$ 21.58	\$ 27.68	\$ 22.08

Revenues Revenues increased by \$173 million, or 6%, in the second quarter of 2014 compared to the second quarter of 2013 and by \$461 million, or 8%, in the first six months of 2014 compared to the first six months of 2013.

Higher average refined product prices contributed 9% to the increase in second quarter 2014 revenues. This benefit was partly offset by lower sales volumes, which reduced revenues in the second quarter of 2014 by 3%, primarily due to lower crude processing rates. Scheduled maintenance on one of our crude units in the second quarter of 2014 led to the decrease in second quarter 2014 crude processing rates.

In the first six months of 2014, higher sales volumes primarily due to higher crude processing rates resulted in a 7% increase in revenues compared to the first six months of 2013. Crude processing rates in the first six months of 2013 were negatively impacted by a major scheduled turnaround during the first quarter of that year. Higher average refined product prices in the first six months of 2014 were responsible for the remaining 1% increase in revenues over the same time period in 2013.

EBITDA EBITDA increased by \$117 million, or 585%, in the second quarter of 2014 compared to the second quarter of 2013. This 585% increase reflects a 605% increase related to higher margins offset by a 20% decrease related to lower throughput volumes discussed above. EBITDA increased by \$226 million, or 565% in the first six months of 2014 compared to the first six months of 2013. This increase consists of increases of 485% and 80%, respectively,

related to improved margins and higher throughput volumes discussed above.

The improvements in refining margins for the second quarter and first six months of 2014 were driven primarily by higher discounts for heavy crude oils and higher gasoline and distillate margins compared to the same periods in 2013. Refining margins for the second quarter and first six months of 2014 also reflected the benefit of higher prices for secondary products. Gasoline and distillate product yields were better in the second quarter 2014 and added to the benefit from the secondary product prices in that period, but declined and reduced that benefit in the first six months of 2014 due to coker-related maintenance. The lower cost for renewable identification numbers, a

Table of Contents

government established credit used to show compliance in meeting the EPA's Renewable Fuel Standard, contributed \$23 million and \$29 million, respectively, to the increase in margins in the second quarter and first six months of 2014 relative to the same 2013 periods.

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 the second quarter and first six months of 2014, our Technology segment incurred approximately 65% of all R&D costs while in the corresponding periods of 2013, it incurred approximately 70% of our R&D costs.

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

Millions of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Sales and other operating revenues	\$ 144	\$ 132	\$ 280	\$ 266
EBITDA	71	59	147	125

Revenues Revenues increased by \$12 million, or 9%, in the second quarter of 2014 compared to the second quarter of 2013, and by \$14 million, or 5%, in the first six months of 2014 compared to the first six months of 2013.

Higher licensing and services revenues related to licenses issued in prior years contributed 11% and 4% to the revenues increase in the second quarter and first six months of 2014, respectively, compared to the same 2013 periods, which included a one time, lump-sum settlement associated with a license agreement entered into in a prior year.

Catalyst revenues, which declined in the second quarter of 2014 compared to the same period in 2013, were relatively unchanged in the first six months of 2014 compared to the first six months of 2013. Improvements in catalyst sales prices, including the effect of favorable foreign exchange rates in the second quarter and first six months of 2014, were responsible for revenue increases relative to the second quarter and first six months of 2013 of 6% and 4%, respectively. Lower catalyst sales volumes in the second quarter and first six months of 2014 decreased revenues by 8% and 3%, respectively, compared to the same periods in 2013.

EBITDA EBITDA increased by \$12 million, or 20%, in the second quarter of 2014 compared to the second quarter of 2013 and by \$22 million, or 18%, in the first six months of 2014 compared to the first six months of 2013.

The increases in EBITDA for the second quarter and first six months of 2014 reflect higher licensing and services revenues discussed above and higher catalyst results and, in the first six months of 2014, lower research and development expenses relative to the same periods in 2013. The higher catalyst results reflect higher margins offset in part by the effect of the lower sales volumes discussed above.

Table of Contents**FINANCIAL CONDITION**

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

Millions of dollars	Six Months Ended	
	June 30,	
	2014	2013
Source (use) of cash:		
Operating activities	\$ 2,598	\$ 2,045
Investing activities	(2,257)	(797)
Financing activities	(2,767)	(742)

Operating Activities Cash of \$2,598 million provided in the first six months of 2014 primarily reflected earnings, adjusted for non-cash items, and cash used by the main components of working capital—accounts receivable, inventories and accounts payable. Also contributing to cash flow were \$189 million of refunds of VAT from prior periods that were received from Italian tax authorities in the second quarter of 2014.

The \$157 million of cash used by the main components of working capital in the first six months of 2014 reflects increases of \$246 million and \$53 million in accounts receivable and inventories, respectively, offset by a \$142 million increase in accounts payable.

The increase in accounts receivable at the end of the second quarter 2014 primarily reflects higher O&P EAI segment sales volumes, offset in part by higher collections. Higher accounts payable balances related to our O&P EAI and I&D segments were offset in part by the timing of raw material and crude oil purchases for our O&P Americas and Refining segments as a result of turnaround activities. Higher inventory levels in the I&D and O&P EAI segments, which were offset in part by a decline in the level of inventories carried by the O&P Americas and Technology segments, resulted in an increase in inventories at the end of the second quarter, compared to year end 2013. Demand-driven increases in oxyfuels and styrene inventories are reflected in the higher I&D inventory level while a build of polyethylene inventory in preparation for a third quarter 2014 turnaround at our Wesseling, Germany site and a demand-driven increase in our polypropylene inventory are reflected in the higher level of O&P EAI inventories at the end of the second quarter of 2014. These increases were offset in part by a decline in the O&P Americas polyethylene inventory as the inventory build at the end of 2013 in preparation for the La Porte, Texas and Matagorda, Texas turnarounds was drawn down during the first six months of 2014. Crude oil inventory in the Refining segment, which was higher at the end of 2013 due to operational issues in December 2013, also declined during the first six months of 2014.

The \$2,045 million of cash provided in the first six months of 2013 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. Also contributing to cash flow were \$224 million of refunds of VAT from prior periods that were received from Italian tax authorities in the second quarter of 2013.

The \$201 million of cash used by the main components of working capital in the first six months of 2013 reflected increases of \$143 million, \$151 million, and \$93 million in accounts receivable, inventories, and accounts payable, respectively. The increase in accounts receivable at the end of the second quarter 2013, compared to year end 2012, reflected an increase in sales volumes for our O&P EAI and I&D segments, offset in part by lower Refining segment sales volumes and higher collections. Inventories increased due to a build in crude oil in the Refining segment from

the low levels seen at the end of 2012 and an accumulation of U.S. polyethylene inventories in preparation for a turnaround that began in the third quarter of 2013. An increase in raw material purchases by our O&P EAI and Refining segments at the end of the second quarter 2013 contributed to the increase in accounts payable.

Investing Activities We used cash of \$2,257 million and \$797 million in investing activities in the first six months of 2014 and 2013, respectively.

Table of Contents

In the first six months of 2014, we invested cash exceeding our daily operating requirements in investment-grade and other high quality instruments. We invest in financial instruments that provide adequate flexibility to redeploy funds as needed to meet our cash flow requirements while maximizing yield. In the first six months of 2014, we invested \$1,573 million in securities, which are deemed available-for-sale and classified as Short-term investments, and \$275 million in tri-party repurchase agreements classified as short-term loans receivable. In the first six months of 2014, we also received proceeds upon the maturity of certain of our available-for-sale securities and repurchase agreements of \$272 million and \$75 million, respectively. 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	Six Months Ended June 30,	
	2014	2013
Capital expenditures by segment:		
O&P Americas	\$ 537	\$ 244
O&P EAI	60	109
I&D	97	247
Refining	52	160
Technology	8	13
Other	4	5
Consolidated capital expenditures of continuing operations	\$ 758	\$ 778

Our capital expenditures in the first six months of 2014 and 2013 included debottlenecks of certain assets to enhance production, turnaround activities at several sites, expansion projects, railcar purchases and other plant improvement projects. The higher level of capital expenditures in the first six months of 2014 for our O&P Americas segment reflects activities related to an ethylene expansion and associated turnaround at our La Porte, Texas facility and an ethylene expansion project at our Channelview, Texas facility. Capital expenditures in the first six months of 2014 for our I&D, Refining and O&P EAI segments were lower relative to the same period in 2013 due primarily to the completion in 2013 of the restart of our methanol plant in La Porte, Texas, a major turnaround at our Houston, Texas refinery, and a butadiene expansion project in Germany, respectively.

Financing Activities In the first six months of 2014 and 2013, our financing activities used cash of \$2,767 million and \$742 million, respectively.

In the first six months of 2014, we made payments of \$3,067 million to acquire approximately 34 million of our outstanding ordinary shares. For additional information related to these share repurchases, see Note 12 to the Consolidated Financial Statements. Furthermore, we made dividend payments totaling \$697 million during the first six months of 2014.

In February 2014, we issued \$1,000 million of 4.875% Notes due 2044 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 June 30, 2014, we had \$3,329 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 and bonds, see the Financing Activities section above and Note 7 to the Consolidated Financial Statements.

Table of Contents

At June 30, 2014, we held \$553 million of cash in jurisdictions outside of the U.S., principally in the United Kingdom. Less than 1% 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 \$3,611 million at June 30, 2014, which included the following:

\$2,000 million under our \$2,000 million revolving credit facility;

\$1,000 million under our \$1,000 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. There were no outstanding borrowings or letters of credit at June 30, 2014; and

435 million and \$20 million (totaling approximately \$611 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 June 30, 2014.

We also have outstanding letters of credit and bank guarantees totaling \$734 million at June 30, 2014 issued under uncommitted credit facilities.

At June 30, 2014, we had total debt, including current maturities, of \$6,824 million.

In July 2014, we entered into interest rate swaps with a notional value of \$750 million as part of our current interest rate risk management strategy to achieve a desired proportion of variable versus fixed rate debt. The swaps, which have been designated as fair value hedges, effectively convert a portion of our \$2,000 million 5% senior notes due 2019 to floating debt based on USD LIBOR.

In accordance with our current interest rate risk management strategy and subject to management's evaluation of market conditions and the availability of favorable interest rates among other factors, we may from time to time enter into interest rate swap agreements to economically convert a portion of our fixed rate debt to variable rate debt.

In June 2014, we amended and restated our \$2,000 million revolving credit facility to, among other things, reduce undrawn pricing and extend the term of the facility to June 2019. For additional information related to this credit facility, see Note 6 to the Consolidated Financial Statements.

In February 2014, our direct, 100% owned subsidiary, LYB International Finance B.V., issued \$1,000 million of 4.875% Notes due 2044 at a discounted price of 98.831%. Proceeds from these notes are being used for general corporate purposes, including repurchases of our ordinary shares. We may temporarily invest funds not needed for these purposes in short-term investments, including marketable securities. Interest payments under these notes commence on September 15, 2014. These unsecured notes, which are fully and unconditionally guaranteed by LyondellBasell Industries N.V., rank equally in right of payment to all of LYB International Finance B.V.'s existing and future unsecured indebtedness and to all of LyondellBasell'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 20 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.

During the second quarter of 2014, we concluded our share repurchase program announced in May 2013, under which we could repurchase up to 10% of our shares outstanding. We purchased 57,584,238 shares under this program for approximately \$4,678 million.

In April 2014, we announced a new share repurchase program under which we may repurchase up to 10% of our shares outstanding over the next eighteen months for a total of approximately 53 million shares. 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 June 30,

Table of Contents

2014, we have purchased 4,003,964 shares under this program for approximately \$397 million. As of July 23, 2014, we had approximately 46 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.

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 additional debt, proceeds from asset divestitures, or a combination thereof. We plan to finance 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

During the first weeks of the third quarter, industry conditions have been similar to those seen in the second quarter of 2014. U.S. oil, natural gas and natural gas liquids production remain strong. Together, these factors support margins in our O&P Americas, I&D and Refining segments. Our third quarter results will, however, be impacted negatively by the delayed start-up of our ethylene facility in La Porte, Texas. Business conditions affecting our O&P EAI segment have slowed slightly following normal seasonal trends. Our equity earnings may be negatively impacted by scheduled turnarounds at two of our O&P EAI segment's joint ventures. Thus far, the business environment for our Refining and Technology segments remain relatively unchanged from the second quarter of 2014.

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, 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 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. In addition, we based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. 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;

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; similarly, if crude oil prices fell materially, we would see less benefit from low-cost natural gas and natural gas liquids;

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 risks) 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;

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

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

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 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;

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;

Table of Contents

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, 2013. Our exposure to such risks has not changed materially in the six months ended June 30, 2014.

Item 4. CONTROLS AND PROCEDURES

As of June 30, 2014, with the participation of our management, our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (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 Chief Financial Officer concluded that our disclosure controls and procedures were operating effectively as of June 30, 2014.

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

Environmental Matters

From time to time we and our joint ventures receive notices or inquiries from government entities regarding alleged violations of environmental laws and regulations pertaining to, among other things, the disposal, emission and storage of chemical and petroleum substances, including hazardous wastes. Item 103 of the SEC's Regulation S-K requires disclosure of certain environmental matters when a governmental authority is a party to the proceedings and the proceedings involve potential monetary sanctions that we reasonably believe could exceed \$100,000. The matters below are disclosed solely pursuant to that requirement.

In September 2013, the Louisiana Department of Environmental Quality (the "LDEQ") issued a Compliance Order and Notice of Potential Penalty to Equistar Chemicals, LP pertaining to self-reported deviations arising from our Lake Charles, Louisiana polyolefins plant and relating to certain Clean Air Act Title V permit conditions, limits and other requirements. The matter involves deviations reported by us to the LDEQ in semi-annual reports covering 2007 through June 2011. We reasonably believe that LDEQ may assert an administrative penalty demand in this matter in excess of \$100,000.

In September 2013, EPA Region V issued a Notice and Finding of Violation alleging violations at our Morris, Illinois facility related to flaring activity. The Notice generally alleges failures to monitor steam usage and improper flare operations. We reasonably believe that EPA Region V may assert a penalty demand in this matter in excess of \$100,000.

In June 2014, EPA Region V issued a Notice and Finding of Violation alleging violations at our Tuscola, Illinois facility related to flaring activity. The Notice generally alleges failure to conduct a valid performance test and improper flare operations. We reasonably believe that EPA Region V may assert a penalty demand in this matter in excess of \$100,000.

Litigation and Other Matters

Information regarding our litigation and other legal proceedings can be found in Note 11, *Commitments and Contingencies*, to the Consolidated Financial Statements.

Item 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Item 1A of our 2013 Annual Report on Form 10-K.

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

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs (1)
April 1				
April 30	7,639,764	\$89.82	7,639,764	60,498,858
May 1				
May 31	7,311,420	\$96.74	7,311,420	53,187,438
June 1				
June 30	4,229,200	\$99.30	4,229,200	48,958,238
Total	19,180,384	\$94.55	19,180,384	48,958,238

- (1) On May 22, 2013, we announced a share repurchase program of up to 57,584,238 of our ordinary shares through November 22, 2014. Share repurchases under this program were completed in June 2014. On April 16, 2014, we announced a new share repurchase program of up to 52,962,202 of our ordinary shares through October 16, 2015. 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 +	Form of Performance Share Unit Award Agreement for James L. Gallogly (incorporated by reference to Exhibit 10.1 to Form 8-K/A dated May 14, 2014)
10.2 +	Form of Restricted Stock Unit Award Agreement for James L. Gallogly (incorporated by reference to Exhibit 10.2 to Form 8-K/A dated May 14, 2014)
10.3 +	Form of Nonqualified Stock Option Award Agreement for James L. Gallogly (incorporated by reference to Exhibit 10.3 to Form 8-K/A dated May 14, 2014)
10.4	Amended and Restated Credit Agreement, dated June 5, 2014, among LyondellBasell Industries N.V. and LYB Americas Finance Company, as Borrowers, the Lenders, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, Deutsche Bank Securities Inc., as Syndication Agent and the other parties thereto (incorporated by reference to Exhibit 10.1 to Form 8-K dated June 5, 2014)
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
+	Management contract or compensatory plan, contract or arrangement

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: July 25, 2014

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