

LyondellBasell Industries N.V.

Form 10-Q

November 01, 2011

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2011

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

*(State or other jurisdiction of incorporation or
organization)*

98-0646235

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

Weena 737

3013 AM Rotterdam

The Netherlands

(Address of principal executive offices)

31 10 275 5500

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically 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 577,441,527 ordinary shares, 0.04 par value, outstanding at October 28, 2011.

**LYONDELLBASELL INDUSTRIES N.V.
TABLE OF CONTENTS**

	Page
<u>Part I Financial Information</u>	1
<u>Item 1. Financial Statements</u>	1
<u>Consolidated Statements of Income</u>	1
<u>Consolidated Balance Sheets</u>	2
<u>Consolidated Statements of Cash Flows</u>	4
<u>Consolidated Statement of Stockholders' Equity</u>	5
<u>Notes to the Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	47
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	68
<u>Item 4. Controls and Procedures</u>	68
<u>Part II Other Information</u>	69
<u>Item 1. Legal Proceedings</u>	69
<u>Item 1A. Risk Factors</u>	70
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	70
<u>Item 6. Exhibits</u>	71
<u>Signature</u>	72
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	
<u>EX-101 DEFINITION LINKBASE DOCUMENT</u>	

Table of Contents

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

	Successor			Predecessor	
	Three Months Ended		Nine Months Ended	May 1 through	January 1 through
	September 30, 2011	2010	September 30, 2011	September 30, 2010	April 30, 2010
Millions of dollars, except earnings per share					
Sales and other operating revenues:					
Trade	\$ 13,023	\$ 10,116	\$ 38,716	\$ 16,771	\$ 13,260
Related parties	274	186	875	303	207
	13,297	10,302	39,591	17,074	13,467
Operating costs and expenses:					
Cost of sales	11,538	9,075	34,955	15,273	12,414
Selling, general and administrative expenses	239	204	697	333	308
Research and development expenses	53	35	142	58	55
	11,830	9,314	35,794	15,664	12,777
Operating income	1,467	988	3,797	1,410	690
Interest expense	(155)	(182)	(495)	(314)	(713)
Interest income	10	(4)	31	8	5
Other income (expense), net	10	(97)	12	(43)	(265)
Income (loss) before equity investments, reorganization items and income taxes	1,332	705	3,345	1,061	(283)
Income from equity investments	52	29	183	56	84
Reorganization items		(13)	(30)	(21)	7,388
Income before income taxes	1,384	721	3,498	1,096	7,189
Provision for (benefit from) income taxes	489	254	1,140	282	(1,315)
Net income	895	467	2,358	814	8,504
Net loss attributable to non-controlling interests		7	4	2	60
Net income attributable to the Company	\$ 895	\$ 474	\$ 2,362	\$ 816	\$ 8,564
Earnings per share:					
Net income:					
Basic	\$ 1.56	\$ 0.84	\$ 4.14	\$ 1.45	

Diluted \$ 1.51 \$ 0.84 \$ 4.12 \$ 1.45

See Notes to the Consolidated Financial Statements.

1

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

Millions, except shares and par value data	September 30, 2011	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,609	\$ 4,222
Restricted cash	292	11
Accounts receivable:		
Trade, net	3,786	3,482
Related parties	252	265
Inventories	5,682	4,824
Prepaid expenses and other current assets	1,097	975
Total current assets	16,718	13,779
Property, plant and equipment, net	7,363	7,190
Investments and long-term receivables:		
Investment in PO joint ventures	422	437
Equity investments	1,594	1,587
Related party receivables	4	14
Other investments and long-term receivables	67	67
Goodwill	598	595
Intangible assets, net	1,237	1,360
Other assets	264	273
Total assets	\$ 28,267	\$ 25,302

See Notes to the Consolidated Financial Statements.

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

Millions, except shares and par value data	September 30, 2011	December 31, 2010
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 2	\$ 4
Short-term debt	49	42
Accounts payable:		
Trade	2,440	1,968
Related parties	867	793
Accrued liabilities	1,505	1,705
Deferred income taxes	315	319
Total current liabilities	5,178	4,831
Long-term debt	5,782	6,036
Other liabilities	2,021	2,183
Deferred income taxes	1,204	656
Commitments and contingencies		
Stockholders' equity:		
Ordinary shares, 0.04 par value, 1,275 million shares authorized, 573,257,117 and 565,676,222 shares issued, respectively	31	30
Additional paid-in capital	10,265	9,837
Retained earnings	3,778	1,587
Accumulated other comprehensive income	79	81
Treasury stock, at cost, 4,184,410 and 1,122,651 ordinary shares, respectively	(128)	
Total company share of stockholders' equity	14,025	11,535
Non-controlling interests	57	61
Total equity	14,082	11,596
Total liabilities and equity	\$ 28,267	\$ 25,302

See Notes to the Consolidated Financial Statements.

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor May 1	Predecessor January 1
	Nine Months Ended September 30, 2011	through September 30, 2010
		through April 30, 2010
Millions of dollars		
Cash flows from operating activities:		
Net income	\$ 2,358	\$ 814
Adjustments to reconcile net income to net cash provided by (used in) operating activities		\$ 8,504
Depreciation and amortization	676	351
Asset impairments	44	9
Amortization of debt-related costs	28	15
Inventory valuation adjustment		365
Equity investments -		
Equity income	(183)	(56)
Distribution of earnings, net of tax	162	28
Deferred income taxes	667	185
Reorganization items and fresh start accounting adjustments, net	30	21
Reorganization-related payments, net	(10)	(334)
(Gain) loss on sale of assets	(45)	4
Unrealized foreign currency exchange loss (gain)	16	21
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(282)	34
Inventories	(864)	131
Accounts payable	552	167
Prepaid expenses and other current assets	(139)	150
Other, net	(232)	337
Net cash provided by (used in) operating activities	2,778	2,229
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(761)	(266)
Proceeds from disposal of assets	71	1
Short-term investments		12
Restricted cash	(281)	(11)
Net cash used in investing activities	(971)	(266)
Cash flows from financing activities:		
Issuance of Class B common stock		2,800
Shares issued upon exercise of warrants	37	
Dividends paid	(171)	
Repayments of debtor-in-possession term loan facility		(2,170)

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

Net repayments under debtor-in-possession revolving credit facility			(325)
Net borrowings on revolving credit facilities		52	38
Proceeds from short-term debt		7	8
Repayments of short-term debt		(8)	(14)
Issuance of long-term debt			3,242
Repayments of long-term debt	(260)		(9)
Payments of debt issuance costs	(15)	(2)	(253)
Other, net	(8)	(4)	(2)
Net cash provided by (used in) financing activities	(417)	45	3,315
Effect of exchange rate changes on cash	(3)	113	(13)
Increase in cash and cash equivalents	1,387	2,121	2,153
Cash and cash equivalents at beginning of period	4,222	2,711	558
Cash and cash equivalents at end of period	\$ 5,609	\$ 4,832	\$ 2,711

See Notes to the Consolidated Financial Statements.

4

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

	Ordinary		Additional	Retained	Accumulated	Total	Non-	Comprehensive
	Shares	Treasury	Paid-in	Earnings	Other	Stockholders	Controlling	Income
Millions of dollars	Issued		Capital		Income	Equity	Interests	
Balance, January 1, 2011	\$ 30	\$	\$ 9,837	\$ 1,587	\$ 81	\$ 11,535	\$ 61	
Warrants exercised	1		402			403		
Shares purchased		(133)				(133)		
Share-based compensation		5	26			31		
Net income (loss)				2,362		2,362	(4)	\$ 2,358
Cash dividends (\$0.30 per share)				(171)		(171)		
Changes in unrecognized employee benefits gains and losses, net of tax of less than \$1					2	2		2
Foreign currency translations, net of tax of less than \$1					(4)	(4)		(4)
Comprehensive income								\$ 2,356
Balance, September 30, 2011	\$ 31	\$ (128)	\$ 10,265	\$ 3,778	\$ 79	\$ 14,025	\$ 57	

See Notes to the Consolidated Financial Statements.

Table of Contents

**LYONDELLBASELL INDUSTRIES N.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TABLE OF CONTENTS**

	Page
<u>1. Basis of Presentation</u>	7
<u>2. Accounting and Reporting Changes</u>	7
<u>3. Restricted Cash</u>	9
<u>4. Accounts Receivable</u>	9
<u>5. Inventories</u>	10
<u>6. Property, Plant and Equipment, Goodwill, Intangibles and Other Assets</u>	10
<u>7. Investment in PO Joint Ventures</u>	11
<u>8. Equity Investments</u>	12
<u>9. Debt</u>	14
<u>10. Financial Instruments and Derivatives</u>	16
<u>11. Pension and Other Post-retirement Benefits</u>	24
<u>12. Income Taxes</u>	25
<u>13. Commitments and Contingencies</u>	26
<u>14. Stockholders' Equity and Non-Controlling Interests</u>	29
<u>15. Per Share Data</u>	30
<u>16. Segment and Related Information</u>	32
<u>17. Emergence from Chapter 11 Proceedings</u>	35
<u>18. Supplemental Guarantor Information</u>	36

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****1. Basis of Presentation**

LyondellBasell Industries N.V. is a limited liability company (*Naamloze Vennootschap*) incorporated under Dutch law by deed of incorporation dated October 15, 2009. LyondellBasell Industries N.V. was formed to serve as the parent holding company for certain subsidiaries of LyondellBasell Industries AF S.C.A. (together with its subsidiaries, LyondellBasell AF, the Predecessor Company or the Predecessor) after completion of proceedings under chapter 11 (chapter 11) of title 11 of the United States Bankruptcy Code (the U.S. Bankruptcy Code). LyondellBasell Industries AF S.C.A. and 93 of its subsidiaries were debtors (the Debtors) in jointly administered bankruptcy cases (the Bankruptcy Cases) in the United States Bankruptcy Court in the Southern District of New York (the Bankruptcy Court). As of April 30, 2010 (the Emergence Date), LyondellBasell Industries AF S.C.A.'s equity interests in its indirect subsidiaries terminated and LyondellBasell Industries N.V. now owns and operates, directly and indirectly, substantially the same business as LyondellBasell Industries AF S.C.A. owned and operated prior to emergence from the Bankruptcy Cases, which business includes subsidiaries of LyondellBasell Industries AF S.C.A. that were not involved in the Bankruptcy Cases. LyondellBasell Industries AF S.C.A. is no longer part of the LyondellBasell group. Effective May 1, 2010, we adopted fresh-start accounting pursuant to Accounting Standards Codification (ASC) 852, *Reorganizations*. Accordingly, the basis of the assets and liabilities in LyondellBasell AF's financial statements for periods prior to May 1, 2010 will not be comparable to the basis of the assets and liabilities in the financial statements prepared for LyondellBasell N.V. after emergence from bankruptcy.

LyondellBasell Industries N.V., together with its consolidated subsidiaries (collectively LyondellBasell N.V., the Successor Company or the Successor), is a worldwide manufacturer of chemicals and polymers, a refiner of crude oil, a significant producer of gasoline blending components and a developer and licensor of technologies for production of polymers and other chemicals. When we use the terms LyondellBasell N.V., the Successor Company, the Successor, we, us, our or similar words, unless the context otherwise requires, we are referring to LyondellBasell N.V. after April 30, 2010. References herein to the Company for periods through April 30, 2010 are to the Predecessor Company, LyondellBasell AF, and for periods after the Emergence Date, to the Successor Company, LyondellBasell N.V.

The accompanying consolidated financial statements are unaudited and have been prepared from the books and records of LyondellBasell N.V. after April 30, 2010 and LyondellBasell AF for periods up to and including that date 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 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 LyondellBasell N.V. consolidated financial statements and notes thereto included in the LyondellBasell Industries N.V. Current Report on Form 8-K/A filed with the SEC on August 12, 2011.

2. Accounting and Reporting Changes

Compensation In September 2011, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) related to Accounting Standards Codification (ASC) Topic 715, *Compensation - Retirement Benefits*. This ASU requires enhanced disclosures in the annual financial statements of the employers that participate in multiemployer pension plans and therefore, helps users better understand the financial health of all the significant plans in which the employer participates. The amendments are effective for fiscal years ending after December 15, 2011. Early adoption is permitted. The amendments in the ASU should be applied retrospectively for

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

all periods presented. We are currently evaluating the impact of the adoption of this amendment on the presentation of our consolidated financial statements.

Goodwill In September 2011, the FASB issued an ASU related to ASC Topic 350, *Intangibles Goodwill and Other*, which amends the guidance on testing goodwill for impairment. Under the revised guidance, an entity has the option of first performing a qualitative assessment before calculating the fair value of the reporting unit (i.e. step 1 of the goodwill impairment test). If an entity believes, as a result of its qualitative assessment, that the fair value of the reporting unit is more-likely-than-not less than the carrying amount, the two-step impairment test would be required. The new qualitative indicators replace those currently used to determine whether an interim goodwill impairment test is required. An entity can choose to perform the qualitative assessment on none, some or all of its reporting units. The ASU does not change how goodwill is calculated, nor does it revise the requirement to test goodwill annually or when events or circumstances warrant interim testing. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of this amendment is not expected to have a material effect on our consolidated financial statements.

In December 2010, the FASB issued guidance related to ASC Topic 350 that requires a company with reporting units having a carrying amount of zero or less to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This guidance is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2010. Adoption of this amendment in January 2011 did not have a material effect on our consolidated financial statements.

Comprehensive Income In June 2011, the FASB issued ASU related to ASC Topic 220, *Comprehensive Income: Presentation of Comprehensive Income*. This standard eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Under the ASC 220, an entity can elect to present either 1) one continuous statement of comprehensive income or 2) in two separate but consecutive statements. Under the two-statement approach, the first statement would include components of net income, which is consistent with the income statement format used today, and the second statement would include components of other comprehensive income (OCI). The ASU does not change the items that must be reported in OCI. The statement(s) would need to be presented with equal prominence as the other primary financial statements. The ASU is effective for interim and annual periods beginning on or after December 15, 2011. Early adoption is permitted but full retrospective application is required. The adoption of this amendment will have an affect on the presentation of our Consolidated Financial Statements by inclusion of either Consolidated Statements of Other Comprehensive Income or a Consolidated Statements of Comprehensive Income.

Fair Value Measurement In May, 2011 the FASB issued new guidance related to ASC Topic 820, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS and changes some fair value measurement principles and disclosure requirements. This guidance aligns the fair value measurement of instruments classified within an entity's shareholders' equity with the guidance for liabilities and as a result, requires an entity to measure the fair value of its own equity instruments from the perspective of a market participant that holds the equity instruments as assets. This guidance also enhances disclosure requirements for recurring Level 3 fair value measurements to include quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements. New disclosures on the use of a nonfinancial asset measured or disclosed at fair value are required if its use differs from its highest and best use. In addition, entities must report the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed. The ASU is effective for interim and annual periods beginning on or after December 15, 2011, with early adoption prohibited. The adoption of this amendment is not expected to have a material effect on the presentation of our consolidated financial statements.

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In January 2010, the FASB issued additional guidance on improving disclosures regarding fair value measurements. The guidance requires the disclosure of the amounts of, and the rationale for, significant transfers between Level 1 and Level 2 of the fair value hierarchy, as well as the rationale for transfers in or out of Level 3. In 2010, we adopted all of the amendments regarding fair value measurements except for a requirement to disclose information about purchases, sales, issuances, and settlements in the reconciliation of recurring Level 3 measurements on a gross basis. Our implementation in January 2011 of the requirement to separately disclose purchases, sales, issuances, and settlements of recurring Level 3 measurements did not have a material impact on the presentation of our consolidated financial statements.

Business Combinations In December 2010, the FASB issued guidance related to ASC Topic 805, *Business Combinations*, to clarify that if a public entity presents comparative financial statements, the entity should disclose pro-forma revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This guidance also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. This guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. Adoption of this amendment in January 2011 did not have a material effect on our consolidated financial statements.

Revenue Recognition In October 2009, the FASB ratified the consensus reached by its emerging issues task force to require companies to allocate revenue in multiple-element arrangements based on the estimated selling price of an element if vendor-specific or other third-party evidence of value is not available. The adoption of these changes, in January 2011, did not have a material effect on our consolidated financial statements.

3. Restricted Cash

Restricted cash primarily represents amounts deposited with financial institutions to collateralize letters of credit. As of September 30, 2011, letters of credit totaling \$267 million were cash collateralized. Such cash is included in the \$292 million reflected as Restricted cash on the Consolidated Balance Sheet as of September 30, 2011.

4. Accounts Receivable

Our allowance for doubtful accounts receivable, which is reflected in the Consolidated Balance Sheets as a reduction of accounts receivable, totaled \$17 million and \$12 million at September 30, 2011 and December 31, 2010, respectively.

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Inventories

Inventories consisted of the following components:

Millions of dollars	Successor	
	September 30, 2011	December 31, 2010
Finished goods	\$ 3,765	\$ 3,127
Work-in-process	239	230
Raw materials and supplies	1,678	1,467
Total inventories	\$ 5,682	\$ 4,824

The nine months ended September 30, 2010 include a \$365 million non-cash charge to adjust the value of inventory at September 30, 2010 to market value, which was lower than the April 30, 2010 value applied during fresh-start accounting.

6. Property, Plant and Equipment, Goodwill, Intangibles and Other Assets

The components of property, plant and equipment, at cost, and the related accumulated depreciation were as follows:

Millions of dollars	Successor	
	September 30, 2011	December 31, 2010
Land	\$ 292	\$ 286
Manufacturing facilities and equipment	7,269	6,752
Construction in progress	732	569
Total property, plant and equipment	8,293	7,607
Less accumulated depreciation	(930)	(417)
Property, plant and equipment, net	\$ 7,363	\$ 7,190

In the first nine months of 2011, we recognized \$20 million of impairment charges related to the capital expenditures at the Berre refinery due to the discounted cash flow projections for the Berre refinery being insufficient to recover the assets carrying amount.

In July 2010, we ceased production and permanently shut down our polypropylene plant at Terni, Italy. We recognized charges of \$23 million, in cost of sales, related to plant and other closure costs in the first quarter of 2010.

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

Depreciation and amortization expense is summarized as follows:

	Three Months Ended		Successor	May 1	Predecessor
	September 30, 2011	September 30, 2010	Nine Months Ended September 30, 2011	through September 30, 2010	January 1 through April 30, 2010
Millions of dollars					
Property, plant and equipment	\$ 194	\$ 165	\$ 545	\$ 259	\$ 499
Investment in PO joint ventures	7		22	9	19
Emission allowances	16	18	52	30	
Various contracts	19	39	54	52	
Technology, patent and license costs					25
Software costs	1		3	1	12
Other					10
Total depreciation and amortization	\$ 237	\$ 222	\$ 676	\$ 351	\$ 565

During the third quarter of 2011, we recognized impairments of \$19 million, in Research and Development, related to certain in-process research and development projects, which were abandoned. These projects were recognized as intangible assets at emergence.

Asset Retirement Obligations The liabilities recognized for all asset retirement obligations were \$149 million and \$132 million at September 30, 2011 and December 31, 2010, respectively.

Goodwill Goodwill increased from \$595 million at December 31, 2010 to \$598 million at September 30, 2011. The \$3 million change in goodwill is a result of foreign exchange translation.

7. Investment in PO Joint Ventures

We, together with Bayer AG and Bayer Corporation (collectively Bayer), share ownership in a U.S. propylene oxide (PO) manufacturing joint venture (the U.S. PO Joint Venture) and a separate joint venture for certain related PO technology. Bayer's ownership interest represents ownership of annual in-kind PO production of the U.S. PO Joint Venture of 1.5 billion pounds in 2010. We take in-kind the remaining PO production and all co-product (styrene monomer (SM) or styrene) and tertiary butyl alcohol (TBA) production from the U.S. PO Joint Venture. In addition, we and Bayer each have a 50% interest in a separate manufacturing joint venture (the European PO Joint Venture), which includes a world-scale PO/SM plant at Maasvlakte near Rotterdam, The Netherlands. We and Bayer each are entitled to 50% of the PO and SM production at the European PO Joint Venture.

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

Changes in our investment in the U.S. and European PO joint ventures for 2011 and 2010 are summarized as follows:

Millions of dollars		U.S. PO Joint Venture	European PO Joint Venture	Total PO Joint Ventures
Successor				
Investments in PO joint ventures	January 1, 2011	\$ 291	\$ 146	\$ 437
Cash contributions		3	3	6
Depreciation and amortization		(15)	(7)	(22)
Effect of exchange rate changes			1	1
Investments in PO joint ventures	September 30, 2011	\$ 279	\$ 143	\$ 422
Investments in PO joint ventures	May 1, 2010	\$ 303	\$ 149	\$ 452
Depreciation and amortization		(8)	(1)	(9)
Effect of exchange rate changes			4	4
Investments in PO joint ventures	September 30, 2010	\$ 295	\$ 152	\$ 447
Predecessor				
Investments in PO joint ventures	January 1, 2010	\$ 533	\$ 389	\$ 922
Return of investment			(5)	(5)
Depreciation and amortization		(14)	(5)	(19)
Effect of exchange rate changes			(31)	(31)
Investments in PO joint ventures	April 30, 2010	\$ 519	\$ 348	\$ 867

8. Equity Investments

The changes in equity investments were as follows:

Millions of dollars	Successor Nine Months Ended September 30, 2011	May 1 through September 30, 2010	Predecessor January 1 through April 30, 2010
Beginning balance	\$ 1,587	\$ 1,524	\$ 1,085
Income from equity investments	183	56	84
Dividends received, gross	(168)	(28)	(18)
Contributions to joint venture		7	20

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

Currency exchange effects	(8)		8	(8)
Other			15	10
Ending balance	\$ 1,594	\$	1,582	\$ 1,173

12

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

Summarized income statement information and our share for the periods for which the respective equity investments were accounted for under the equity method is set forth below:

Millions of dollars	Successor Three Months Ended September 30,			
	2011	Company Share	2010	Company Share
Revenues	\$ 2,688	\$ 783	\$ 1,995	\$ 745
Cost of sales	(2,336)	(680)	(1,717)	(672)
Gross profit	352	103	278	73
Net operating expense	(74)	(23)	(55)	(18)
Operating income	278	80	223	55
Interest income	3	1		
Interest expense	(76)	(20)	(63)	(18)
Foreign currency translation	(3)	(5)	(66)	(13)
Income from equity investments	35	10	55	13
Income before income taxes	237	66	149	37
Provision for income taxes	(45)	(14)	(19)	(8)
Net income	\$ 192	\$ 52	\$ 130	\$ 29

Millions of dollars	Successor Nine Months Ended September 30, 2011		May 1 through September 30, 2010		Predecessor January 1 through April 30, 2010	
	100%	Company Share	100%	Company Share	100%	Company Share
Revenues	\$ 9,388	\$ 2,916	\$ 3,377	\$ 1,298	\$ 3,127	\$ 989
Cost of sales	(8,165)	(2,556)	(2,939)	(1,157)	(2,699)	(869)
Gross profit	1,223	360	438	141	428	120
Net operating expenses	(231)	(72)	(118)	(40)	(82)	(29)
Operating income	992	288	320	101	346	91
Interest income	9	3	2		2	1
Interest expense	(197)	(54)	(84)	(24)	(43)	(13)
Foreign currency translation	(25)	(10)	(24)	(7)	83	24
Income from equity investments	4	5	(4)	(4)	3	2
Income before income taxes	783	232	210	66	391	105
Provision for income taxes	(167)	(49)	(18)	(10)	(67)	(21)

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

Net income	\$ 616	\$ 183	\$ 192	\$ 56	\$ 324	\$ 84
------------	--------	--------	--------	-------	--------	-------

A joint venture of ours is in default under its financing arrangement due to a delay in the start-up of its assets. The parties are currently negotiating in good faith to resolve the default and at present there is no evidence that such

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

negotiations will not be concluded successfully or that the resolution of this matter will have a material adverse impact on our operations or liquidity.

9. Debt

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

Millions of dollars	Successor	
	September 30, 2011	December 31, 2010
Bank credit facilities:		
Senior Term Loan Facility due 2014	\$ 5	\$ 5
Senior Secured 8% Notes due 2017, \$2,250 million	1,822	2,025
Senior Secured 8% Notes due 2017, 375 million	410	452
Senior Secured 11% Notes due 2018, \$3,240 million	3,240	3,240
Guaranteed Notes, due 2027	300	300
Other	7	18
Total	5,784	6,040
Less current maturities	(2)	(4)
Long-term debt	\$ 5,782	\$ 6,036

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

Millions of dollars	Successor	
	September 30, 2011	December 31, 2010
\$2,000 million Senior Secured Asset-Based Revolving Credit Agreement	\$	\$
Financial payables to equity investees	10	11
Other	39	31
Total short-term debt	\$ 49	\$ 42

On October 20, 2011, we announced a cash tender offer for up to \$1,470 million aggregate principal amount of our outstanding 8% Senior Secured Dollar Notes due 2017 and 8% Senior Secured Euro Notes due 2017 and up to \$1,319 million aggregate principal amount of our outstanding 11% Senior Secured Dollar Notes due 2018. In conjunction with the tender offer, we are soliciting consents from the note holders to release the collateral securing the notes and to modify other provisions related to restrictive covenants. The tender offer expires on November 21, 2011 and the consent solicitation expires on November 2, 2011. We cannot be assured that note holders will tender their notes or consent to the changes in the terms of the notes, and, subject to applicable securities laws and certain terms and conditions set forth in the related Offer to Purchase and Consent Solicitation Statement (as it may be amended or supplemented from time to time), we have the right to terminate the tender at any time.

Senior Secured 8% Notes In December 2010, we redeemed \$225 million of the dollar denominated and 37.5 million (\$50 million) of the Euro denominated Senior Secured 8% Notes at a redemption price of 103% of par, paying premiums totaling \$8 million. In May 2011, we redeemed an additional \$203 million of Senior Secured

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8% dollar Notes and 34 million (\$50 million) of Senior Secured 8% Euro notes due 2017 at a redemption price of 103% of par, paying premiums totaling \$7 million.

The Senior Secured 8% Notes were issued by our wholly owned subsidiary, Lyondell Chemical Company (Lyondell Chemical). Lyondell Chemical may redeem the notes (i) prior to maturity at specified redemption premium percentages according to the date the notes are redeemed or (ii) from time to time at a redemption price of 100% of such principal amount plus an applicable premium as calculated pursuant to a formula.

In addition, Lyondell Chemical has the option to redeem up to 10% of the outstanding Senior Secured 8% Notes annually prior to May 1, 2013 at a redemption price equal to 103% of such notes' principal amount. Also prior to May 1, 2013, Lyondell Chemical has the option to redeem up to 35% of the original aggregate principal amount of the Senior Secured 8% Notes at a redemption price of 108% of such principal amount, with the net proceeds of one or more equity offerings, provided that (i) at least 50% of the original aggregate principal amount remains outstanding immediately after such redemption and (ii) the redemption occurs within 90 days of the closing of the equity offering. The value of this embedded derivative is nominal.

Senior Secured 11% Notes The Senior Secured 11% Notes also were issued by Lyondell Chemical. Lyondell Chemical may redeem the notes (i) at par on or after May 1, 2013 and (ii) from time to time at a redemption price of 100% of such principal amount plus an applicable premium as calculated pursuant to a formula.

In addition, Lyondell Chemical has the option to redeem up to 35% of the original aggregate principal amount of the Senior Secured 11% Notes at a redemption price of 111% of such principal amount, with the net proceeds of one or more equity offerings, provided that (i) at least 50% of the original aggregate principal amount remains outstanding immediately after such redemption and (ii) the redemption occurs within 90 days of the closing of the equity offering. The value of this embedded derivative is nominal.

Registration Rights Agreements In connection with the issuance of the Senior Secured 8% Notes and the Senior Secured 11% Notes (collectively, the Senior Secured Notes), we entered into certain registration rights agreements. The agreements required us to (i) exchange the Senior Secured 8% Notes for notes with substantially identical terms, except that the new notes would be registered with the SEC under the Securities Act of 1933, as amended, and therefore be free of any transfer restrictions and (ii) register for resale the Senior Secured 11% Notes held by the parties to the agreement related to those notes. The registration rights agreements required registration statements for the exchange or resale, as applicable, to be effective with the SEC by May 3, 2011. The registration statement became effective on September 13, 2011. Interest and penalties for the delay in effectiveness were not material.

Senior Term Loan Facility In March 2011, we amended and restated our Senior Secured Term Loan Agreement to, among other things, change the administrative agent and to modify the term of the agreement and certain restrictive covenants. This amended and restated agreement matures in April 2014.

U.S. ABL Facility On June 2, 2011, we amended our U.S. ABL Facility to, among other things, (i) increase the size of the facility to \$2 billion; (ii) extend the maturity date to June 2016; (iii) reduce the applicable margin and commitment fee; and (iv) amend certain covenants and conditions in order to provide additional flexibility. We paid fees of \$15 million in connection with this amendment.

At September 30, 2011 and December 31, 2010, there were no borrowings outstanding under the U.S. ABL facility and outstanding letters of credit totaled \$262 million and \$370 million, respectively. Pursuant to the U.S. ABL facility, Lyondell Chemical could, subject to a borrowing base, borrow up to \$1,738 million at September 30, 2011. Advances under this facility are available to Lyondell Chemical and certain of its wholly owned subsidiaries, Equistar Chemicals LP (Equistar), Houston Refining LP, and LyondellBasell Acetyls LLC.

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other In the nine months ended September 30, 2011, amortization of debt premiums and debt issuance costs resulted in amortization expense of \$28 million that was included in interest expense in the Consolidated Statements of Income. In the five months ended September 30, 2010, amortization expense was \$15 million.

At September 30, 2011 and 2010, our weighted average interest rates on outstanding short-term debt were 3.8% and 3.8%, respectively.

10. Financial Instruments and Derivatives

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

Market Risks We are exposed to market risks, such as changes in commodity pricing, currency exchange rates and interest rates. To manage the volatility related to these exposures, we selectively enter into derivative transactions pursuant to our policies. Designation of the derivatives as fair-value or cash-flow hedges is performed on a specific exposure basis. Hedge accounting may or may not be elected with respect to certain short-term exposures. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged.

Commodity Prices We are exposed to commodity price volatility related to anticipated purchases of natural gas, crude oil and other raw materials and sales of our products. We selectively use commodity swap, option, and futures contracts with various terms to manage the volatility related to these risks. Such contracts are generally limited to durations of one year or less. Cash-flow hedge accounting may be elected for these derivative transactions. In cases, when the duration of a derivative is short, hedge accounting generally would not be elected. When hedge accounting is not elected, the changes in fair value of these instruments are recorded in earnings. When hedge accounting is elected, gains and losses on these instruments are deferred in accumulated other comprehensive income (AOCI), to the extent that the hedge remains effective, until the underlying transaction is recognized in earnings.

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

The following table summarizes the pretax effect of settled commodity futures contracts charged directly to income:

Millions of dollars	Settled Commodity Contracts		
	Nine Months Ended September 30, 2011		
Successor	Gain (Loss)	Volumes	Volume
Futures:	Recognized in Income	Settled	Unit
Gasoline sales	\$ 4	403	million gallons
Heating oil sales	6	450	million gallons
Crude oil	(4)	5	million barrels
	\$ 6		

Millions of dollars	May 1 through September 30, 2010		
	Gain (Loss)		
Successor	Recognized in Income	Volumes	Volume
Futures:	Recognized in Income	Settled	Unit
Gasoline sales	\$ (1)	236	million gallons
Heating oil sales	1	172	million gallons
Crude oil	(4)	3	million barrels
	\$ (4)		

Millions of dollars	January 1 through April 30, 2010		
	Gain (Loss)		
Predecessor	Recognized in Income	Volumes	Volume
Futures:	Recognized in Income	Settled	Unit
Gasoline sales	\$ (4)	243	

Heating oil sales	2	126	million gallons
Crude oil purchases	10	3	million gallons
	\$ 8		million barrels

market exchange rates, resulted in a net receivable of \$2 million at September 30, 2011 and a net payable of \$1 million at December 31, 2010.

For forward and swap 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 and swap contracts are reported in the Consolidated Statements of Income and offset the currency exchange results recognized on the assets and liabilities.

Foreign Currency Gain (Loss) Other income, net, in the Consolidated Statements of Income reflected losses of \$17 million and \$11 million for the three and nine months ended September 30, 2011; a loss of \$18 million and a gain of \$22 million in the three and five months ended September 30, 2010, respectively; and a loss of \$258 million in the four months ended April 30, 2010.

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Interest Rates Pursuant to the provisions of the Plan of Reorganization, the \$201 million liability associated with interest rate swaps designated as cash flow hedges in the notional amount of \$2,350 million were discharged on April 30, 2010. The Company discontinued accounting for the interest rate swap as a hedge and, in April 2010, \$153 million of unamortized loss was released from accumulated other comprehensive income and recognized in earnings.

Warrants As of September 30, 2011, we have warrants outstanding for the purchase of 865,994 ordinary shares at an exercise price of \$15.90 per ordinary share. As of December 31, 2010 we had 11,508,104 warrants outstanding. The warrants have anti-dilution protection for in-kind stock dividends, stock splits, stock combinations and similar transactions and may be exercised at any time during the period from April 30, 2010 to the close of business on April 30, 2017. Upon an affiliate change of control, the holders of the warrants may put the warrants to LyondellBasell N.V., which would require cash settlement at a price equal to, as applicable, the in-the-money value of the warrants or the Black-Scholes-Merton value of the warrants. The warrants are classified as a liability and are recorded at fair value at the end of each reporting period.

During the second and third quarters of 2011, the Company's warrants were thinly traded and as such the Company concluded that the market price alone could not be relied upon to substantiate fair value. Therefore, we also used the Black-Scholes-Merton option pricing model, incorporating management adjusted observable inputs to determine the estimated fair value of each warrant. The current market price at September 30, 2011 and the price calculated using the Black-Scholes-Merton model were not materially different. As a result, we concluded that the use of the quoted market price to determine the fair value is an appropriate measure, but we have now classified them as level 2 in the valuation hierarchy. The fair values of the warrants were determined to be \$13 million and \$215 million at September 30, 2011 and December 31, 2010, respectively.

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

The following table summarizes derivative financial instruments outstanding as of September 30, 2011 and December 31, 2010 that are measured at fair value on a recurring basis, the balance sheet classifications of the fair value adjustments and the bases used to determine their fair value in the consolidated balance sheets.

Millions of dollars	Balance Sheet Classification	Notional Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2011:						
Assets at fair value:						
Derivatives:						
Commodities	Prepaid expenses and other current assets	\$ 251	\$ 46	\$	\$ 46	\$
Foreign currency	Prepaid expenses and other current assets	\$ 208	2		2	
		\$ 459	\$ 48	\$	\$ 48	\$
Liabilities at fair value:						
Derivatives:						
Commodities	Accrued liabilities	\$ 377	\$ 13	\$	\$ 13	\$
Warrants	Accrued liabilities	14	13		13	
		\$ 391	\$ 26	\$	\$ 26	\$
December 31, 2010:						
Liabilities at fair value:						
Derivatives:						
Gasoline and heating oil	Accrued liabilities	\$ 70	\$ 1	\$	\$ 1	\$

Warrants	Accrued liabilities	183	215	215		
Foreign currency	Accrued liabilities	93	1		1	
		\$ 346	\$ 217	\$ 215	\$ 2	\$

The fair value of all non-derivative financial instruments included in current assets, including cash and cash equivalents, restricted cash and accounts receivable, and accounts payable, approximated the applicable carrying value due to the short maturity of those instruments.

There were no financial instruments measured on a recurring basis using Level 3 inputs during the nine months ended September 30, 2011, the five months ended September 30, 2010 and the four months ended April 30, 2010.

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:

Successor	Effect of Financial Instruments				Income Statement Classification
	Gain (Loss)	Gain (Loss)	Additional Gain (Loss)	Gain (Loss)	
Millions of dollars	Recognized in AOCI	Reclassified from AOCI to Income	Recognized in Income	Recognized in Income	
Derivatives not designated as hedges:					
Warrants	\$	\$	\$	22	Other income (expense), net
Commodities				30	Cost of sales
Foreign currency				(1)	Other income (expense), net
	\$	\$	\$	51	
Three Months Ended September 30, 2010					
Predecessor	Gain (Loss)	Gain (Loss)	Additional Gain (Loss)	Gain (Loss)	Income Statement Classification
Millions of dollars	Recognized in AOCI	Reclassified from AOCI to Income	Recognized in Income	Recognized in Income	
Derivatives not designated as hedges:					
Warrants	\$	\$	\$	(76)	Other income (expense), net
Commodities				1	Cost of sales
Foreign currency				(1)	Other income (expense), net
	\$	\$	\$	(76)	

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effect of Financial Instruments
Nine Months Ended September 30, 2011

<u>Successor</u>	Gain (Loss)	Reclassified from AOCI to Income	Additional Gain (Loss)	Income Statement Classification
Millions of dollars	Recognized in AOCI	Recognized in Income	Recognized in Income	
Derivatives not designated as hedges:				
Warrants	\$	\$	\$ (31)	Other income (expense), net
Commodities			39	Cost of sales
Foreign currency			(2)	Other income (expense), net
	\$	\$	\$ 6	

May 1 through September 30, 2010

<u>Successor</u>	Gain (Loss)	Reclassified from AOCI to Income	Additional Gain (Loss)	Income Statement Classification
Millions of dollars	Recognized in AOCI	Recognized in Income	Recognized in Income	
Derivatives not designated as hedges:				
Warrants			(59)	Other income (expense), net
Commodities			(4)	Cost of sales
Foreign currency			(1)	Other income (expense), net
	\$	\$	\$ (64)	

January 1 through April 30, 2010

<u>Predecessor</u>	Gain (Loss)	Reclassified from AOCI to Income	Additional Gain (Loss)	Income Statement Classification
Millions of dollars	Recognized in AOCI	Recognized in Income	Recognized in Income	
Derivatives not designated as hedges:				
Warrants			(59)	Other income (expense), net
Commodities			(4)	Cost of sales
Foreign currency			(1)	Other income (expense), net
	\$	\$	\$ (64)	

Millions of dollars	in AOCI	from AOCI to Income	in Income	Classification
Derivatives designated as cash-flow hedges:				
Interest rate	\$	\$ (17)	\$	Interest expense
Derivatives not designated as hedges:				
Commodities			6	Cost of sales Other income
Foreign currency			8	(expense), net
			14	
	\$	\$ (17)	\$ 14	

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

The carrying value and the estimated fair value of our non-derivative financial instruments are shown in the table below:

Millions of dollars	September 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Short and long-term debt, including current maturities	\$ 5,830	\$ 6,228	\$ 6,079	\$ 6,819

The following table summarizes the bases used to measure certain liabilities at fair value which are recorded at historical cost or amortized cost, in the Consolidated Balance Sheet:

Millions of dollars	Fair Value Measurement				
	Carrying Value	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Short term and long-term debt, including current maturities	\$ 5,830	\$ 6,228	\$	\$ 6,186	\$ 42

The following table is a reconciliation of the beginning and ending balances of Level 1 and Level 2 inputs for financial instruments measured at fair value on a recurring basis:

Millions of dollars	Fair Value Measurement Using Quoted prices in active markets for identical assets (Level 1)	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)
Balance at January 1, 2011	\$ 215	\$
Purchases, sales, issuances, and settlements	(49)	(184)
Transfers in and/or out of Levels 1 and 2	(225)	225
Total gains or losses (realized/unrealized)	59	(28)
Balance at September 30, 2011	\$	\$ 13

For liabilities classified as Level 1, the fair value is measured using quoted prices in active markets. The total fair value is either the price of the most recent trade at the time of the market close or the official close price, as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number

of units held without consideration of transaction costs. For liabilities classified as Level 2, fair value is based on the price a market participant would pay for the security, adjusted for the terms specific to that asset and

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

liability. Broker quotes were obtained from well established and recognized vendors of market data for debt valuations. The inputs for liabilities classified as Level 3 reflect our assessment of the assumptions that a market participant would use in determining the price of the asset or liability, including our liquidity risk at September 30, 2011.

The fair values of Level 3 instruments are determined using pricing data similar to that used in Level 2 financial instruments described above, and reflect adjustments for less liquid markets or longer contractual terms. For these Level 3 financial instruments, pricing data obtained from third party pricing sources is adjusted for the liquidity of the underlying over the contractual terms to develop an estimated price that market participants would use. Our valuation of these instruments considers specific contractual terms, present value concepts and other internal assumptions related to (i) contract maturities that extend beyond the periods in which quoted market prices are available; (ii) the uniqueness of the contract terms; and (iii) our creditworthiness or that of our counterparties (adjusted for collateral related to our asset positions). Based on our calculations, we expect that a significant portion of other debts will react in a generally proportionate manner to changes in the benchmark interest rate. Accordingly, these financial instruments are fair valued at par and are classified as Level 3.

11. Pension and Other Post-retirement Benefits

Net periodic pension benefits included the following cost components:

	U.S. Plans				Predecessor January 1 through April 30, 2010
	Successor Nine Months		May 1 through September 30, 2010		
Millions of dollars	Three Months Ended September 30, 2011	September 30, 2010	Ended September 30, 2011	September 30, 2010	
Service cost	\$ 10	\$ 11	\$ 30	\$ 18	\$ 15
Interest cost	23	23	68	39	31
Expected return on plan assets	(27)	(22)	(79)	(37)	(31)
Amortization					3
Net periodic benefit costs	\$ 6	\$ 12	\$ 19	\$ 20	\$ 18

	Non-U.S. Plans				Predecessor January 1 through April 30, 2010
	Successor Nine Months		May 1 through September 30, 2010		
Millions of dollars	Three Months Ended September 30, 2011	September 30, 2010	Ended September 30, 2011	September 30, 2010	
Service cost	\$ 9	\$ 8	\$ 30	\$ 12	\$ 9
Interest cost	13	13	42	22	17
Expected return on plan assets	(8)	(8)	(31)	(13)	(10)
Settlement and curtailment loss	(2)		4		
Amortization	1		3		1

Net periodic benefit costs	\$	13	\$	13	\$	48	\$	21	\$	17
----------------------------	----	----	----	----	----	----	----	----	----	----

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

Net periodic other post-retirement benefits included the following cost components:

Millions of dollars	U.S. Plans				Predecessor January 1 through April 30, 2010
	Three Months Ended		Successor	May 1	
	September 30, 2011	September 30, 2010	Nine Months Ended September 30, 2011	through September 30, 2010	
Service cost	\$ 1	\$ 1	\$ 6	\$ 2	\$ 2
Interest cost	4	4	12	7	5
Amortization					(3)
Net periodic benefit costs	\$ 5	\$ 5	\$ 18	\$ 9	\$ 4

Millions of dollars	Non-U.S. Plans				Predecessor January 1 through April 30, 2010
	Three Months Ended		Successor	May 1	
	September 30, 2011	September 30, 2010	Nine Months Ended September 30, 2011	through September 30, 2010	
Service cost	\$ 2	\$	\$ 7	\$	\$
Interest cost		1		1	1
Net periodic benefit costs	\$ 2	\$ 1	\$ 7	\$ 1	\$ 1

The Company contributed \$222 million to its pension plans during the nine months ended September 30, 2011, which consisted of \$219 million and \$3 million to its U.S. and non-U.S. pension plans, respectively. The Company expects to make additional voluntary contributions of \$250 million to its pension plans in the fourth quarter of 2011.

Employees in the U.S. are eligible to participate in defined contribution plans (Employee Savings Plans) by contributing a portion of their compensation. We match a part of the employees' contribution.

12. Income Taxes

Our effective income tax rates for the third quarter and first nine months of 2011 were 35.3% and 32.6%, respectively, resulting in tax expense of \$489 million on pretax income of \$1,384 million for the third quarter 2011 and tax expense of \$1,140 million on pretax income of \$3,498 million for the first nine months of 2011. The effective income tax rate for the third quarter 2011 was higher than the year to date effective income tax rate due to a shift of income to higher tax jurisdictions coupled with non-U.S. tax law changes resulting in a lower benefit from the release of valuation allowances. The 2011 effective income tax rate was lower than the U.S. statutory 35% rate primarily due to the effect of pretax income in countries with lower statutory tax rates and favorable permanent deductions related to notional royalties, equity earnings, and release of valuation allowances which were partially offset by non-deductible expenses related to stock warrants. In the five month Successor period ended September 30, 2010, we recorded a tax provision

of \$282 million, representing an effective tax rate of 25.7% on pre-tax income of \$1,096 million. In the four months ended April 30, 2010, the Predecessor recorded a tax benefit of \$1,315 million, representing a negative effective tax rate of 18.3% on pre-tax income of \$7,189 million. The provision for the 2010 Successor period differs from the U.S. statutory rate of 35% primarily due to the fact that in several countries the Company generated either income with no tax expense or losses where we recorded no tax benefit due to valuation allowances on our deferred tax assets in those countries.

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****13. Commitments and Contingencies**

Commitments We have various purchase commitments for materials, supplies and services resulting from the ordinary course of business. These commitments, which are at prevailing market prices, are generally for quantities required for the operation of our businesses and are designed to assure sources of supply not expected to be in excess of normal requirements. Our capital expenditure commitments at September 30, 2011 were in the normal course of business.

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 \$121 million and \$107 million as of September 30, 2011 and December 31, 2010, respectively. At September 30, 2011, the accrued liabilities for individual sites range from less than \$1 million to \$23 million. The remediation expenditures are expected to occur over a number of years, and not to be concentrated in any single year. In our opinion, it is reasonably possible that losses in excess of the liabilities recorded may have been incurred. However, we cannot estimate any amount or range of such possible additional losses. New information about sites, new technology or future developments such as involvement in investigations by regulatory agencies, could require us to reassess our potential exposure related to environmental matters.

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

	Successor		Predecessor
	Nine Months Ended September 30, 2011	May 1 through September 30, 2010	January 1 through April 30, 2010
Millions of dollars			
Balance at beginning of period	\$ 107	\$ 93	\$ 89
Additional provisions	20	3	11
Amounts paid	(6)	(2)	(2)
Foreign exchange effects		1	(5)
Balance at end of period	\$ 121	\$ 95	\$ 93

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Litigation and Other Matters

BASF Lawsuit

On April 12, 2005, BASF Corporation (BASF) filed a lawsuit against Lyondell Chemical in the Superior Court of New Jersey, Morris County, asserting various claims relating to alleged breaches of a propylene oxide toll manufacturing contract and seeking damages in excess of \$100 million. Lyondell Chemical denied breaching the contract and argued that at most it owed BASF \$22.5 million, which it has paid. On August 13, 2007, a jury returned a verdict in favor of BASF in the amount of approximately \$170 million (inclusive of the \$22.5 million refund). On October 3, 2007, the judge in the state court case determined that prejudgment interest on the verdict amounted to \$36 million and issued a final judgment. Lyondell Chemical appealed the judgment and has posted an appeal bond, which is collateralized by a \$200 million letter of credit.

On April 21, 2010, oral arguments in the appeal were held before the Appellate Division and, on December 28, 2010, the judgment was reversed and the case was remanded for a new trial, which will be in New Jersey state court. Based on the remaining legal and fact issues to be decided, management has estimated the reasonably possible range of loss, excluding interest, to be between zero and \$135 million.

Access Indemnity Demand

On December 20, 2010, one of our subsidiaries received demand letters from affiliates of Access Industries, (collectively, Access) a more than five percent shareholder of the Company. We conducted an initial investigation of the facts underlying the demand letters and engaged in discussions with Access. We requested that Access withdraw its demands with prejudice and, on January 17, 2011, Access declined to withdraw the demands, with or without prejudice.

Specifically, Access affiliates Nell Limited (Nell) and BI S.á.r.l. (BI) have demanded that LyondellBasell Industries Holdings B.V., a wholly owned subsidiary of the Company (LBIH), indemnify them and their shareholders, members, affiliates, officers, directors, employees and other related parties for all losses, including attorney s fees and expenses, arising out of a pending lawsuit styled *Edward S. Weisfelner, as Litigation Trustee of the LB Litigation Trust v. Leonard Blavatnik, et al.*, Adversary 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 damages from numerous parties, including Nell, Access and their affiliates. The damages sought from Nell, Access and their affiliates include, among other things, the return of all amounts earned by them related to their acquisition of shares of Lyondell Chemical prior to its acquisition by Basell AF S.C.A. in December 2007, 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 until some time in early 2012.

Nell and BI have also demanded that LBIH pay \$50 million in management fees for 2009 and 2010 and that LBIH pay other unspecified amounts relating to advice purportedly given, prior to the Predecessor company s Chapter 11 filing, in connection with financing and other strategic transactions.

Nell and BI assert that LBIH s responsibility for indemnity and the claimed fees and expenses arise out of a management agreement entered into on December 11, 2007, between Nell and Basell AF S.C.A. They assert that LBIH, as a former subsidiary of Basell AF S.C.A., is jointly and severally liable for Basell AF S.C.A. s obligations under the agreement, notwithstanding that LBIH was not a signatory to the agreement and the liabilities of Basell AF S.C.A., which was a signatory, were discharged in the LyondellBasell bankruptcy proceedings.

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On June 26, 2009, Nell filed a proof of claim in Bankruptcy Court against LyondellBasell AF (successor to Basell AF S.C.A.) seeking no less than \$723 thousand for amounts allegedly owed under the 2007 management agreement. On April 27, 2011, Lyondell Chemical filed an objection to Nell's claim and, together with LyondellBasell N.V. (successor to LyondellBasell AF) and LBIH, brought a declaratory judgment action in the Bankruptcy Court for a determination that Nell and BI's demands are not valid. By a Joint Stipulated Order dated June 13, 2011, the declaratory judgment action is stayed pending the outcome of the *Weisfelner* lawsuit.

We do not believe that the management agreement is in effect or that the Company, LBIH, or any other Company-affiliated entity owes any obligations under the management agreement. We intend to defend vigorously any proceedings, claims or demands that may be asserted.

We cannot at this time estimate the reasonably possible loss or range of loss that Nell, Access, or their affiliates may incur as a result of the lawsuit, and therefore we cannot at this time estimate the reasonably possible loss or range of loss that Nell, Access, or their affiliates may seek from LBIH by way of indemnity.

Indemnification We are party 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 September 30, 2011, we had not accrued any significant amounts for our indemnification obligations, and we are not aware of other circumstances that would likely lead to significant future indemnification obligations. We cannot determine the potential amount of future payments under the indemnification arrangements until events arise that would trigger a liability under the arrangements. In addition, certain third parties entered into agreements with the Predecessor, LyondellBasell AF, to indemnify LyondellBasell AF for a significant portion of the potential obligations that could arise with respect to costs relating to contamination at various sites in Europe. These indemnity obligations are currently in dispute. We recognized a pretax charge of \$64 million as a change in estimate in the third quarter 2010 related to the dispute, which arose during that period.

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

Other We have identified an agreement related to a former project in Kazakhstan under which a payment was made that raises compliance concerns under the U.S. Foreign Corrupt Practices Act (the "FCPA"). We have engaged outside counsel to investigate these activities, under the oversight of the Audit Committee of the Supervisory Board, and to evaluate internal controls and compliance policies and procedures. We made a voluntary disclosure of these matters to the U.S. Department of Justice and are cooperating fully with that agency. We cannot predict the ultimate outcome of these matters at this time since our investigations are ongoing. In this respect, we may not have conducted business in compliance with the FCPA and may not have had policies and procedures in place adequate to ensure compliance. Therefore, we cannot reasonably estimate a range of liability for any potential penalty resulting from these matters. Violations of these laws could result in criminal and civil liabilities and other forms of relief that could be material to us.

Certain of our non-U.S. subsidiaries conduct or have conducted business in countries subject to U.S. economic sanctions, including Iran. U.S. and European laws and regulations prohibit certain persons from engaging in business activities, in whole or in part, with sanctioned countries, organizations and individuals. We have made

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

voluntary disclosure of these matters to the U.S. Treasury Department and cooperated fully with that agency. On October 4, 2011, we received notification from the U.S. Treasury Department stating that it had decided to address this matter by issuing a cautionary letter instead of pursuing a civil penalty. The cautionary letter further stated it represents a final enforcement response and we therefore consider the matters voluntarily disclosed to be closed. In addition, we have made the decision to cease all business with the government, entities and individuals in Iran, Syria and Sudan. We have notified our counterparties in these countries of our decision and may be subject to legal actions to enforce agreements with the counterparties. These business activities present a potential risk that could subject the Company to civil and criminal penalties as well as private legal proceedings that could be material to us. We cannot predict the ultimate outcome of this matter at this time because our investigations and withdrawal activities are ongoing.

We and our joint ventures are, from time to time, defendants in lawsuits and other commercial disputes, some of which are not covered by insurance. Many of these suits make no specific claim for relief. Although final determination of any liability and resulting financial impact with respect to any such matters cannot be ascertained with any degree of certainty, we do not believe that any ultimate uninsured liability resulting from these matters will, individually or in the aggregate, have a material adverse effect on the financial position, liquidity or results of operations of LyondellBasell N.V.

The offering to sell our Berre refinery in France, which commenced in May 2011, did not result in any offer to purchase. As a result, in September 2011, we announced our intention to initiate consultations with works councils regarding a contemplated closure of the refinery, which would affect approximately 370 employees. Any cessation of operations is subject to completion of the consultations, which includes discussion on termination and severance costs, costs associated with the provision of job outplacement assistance and other employee benefit related costs. Because the consultations have not yet begun, we are not in a position to estimate the amount or range of amounts expected to be incurred in connection with this potential cessation or the amount or range of amounts of any potential charges or related cash outlays, although such costs could be material to the Company's results of operations in any quarter or annual period in which they are recognized.

General In our opinion, the matters discussed in this note are not expected to have a material adverse effect on the financial position or liquidity of LyondellBasell N.V. However, the adverse resolution in any reporting period of one or more of these matters could have a material impact on our results of operations for that period, which may be mitigated by contribution or indemnification obligations of others, or by any insurance coverage that may be available.

14. Stockholders Equity and Non-Controlling Interests

Dividend distribution On May 5, 2011, shareholders approved the payment of a dividend of \$0.10 per ordinary share at the Annual General Meeting of Shareholders in Rotterdam, Netherlands. The dividend, totaling \$57 million, was paid May 26, 2011 to shareholders of record on May 5, 2011. On August 3, 2011, the Management Board of the Company recommended the payment of a dividend of \$0.20 per share. The Supervisory Board authorized and directed the Management Board to take action necessary to pay the dividend and the Management Board adopted a resolution declaring a dividend of \$0.20 per share to shareholders of record as of August 17, 2011, which was paid on September 7, 2011 for an aggregate of \$114 million.

We are currently subject to restrictive covenants that limit our ability to pay cumulative dividends to the sum of a) the greater of (i) \$50 million per year and (ii) in general, 50 percent of net income for the period from March 31, 2012 until the end of the most recently completed fiscal quarter for which financial statements are available, plus b) dividends not to exceed the greater of (i) \$350 million and (ii) 1.75% of consolidated tangible assets at the time the dividend is paid.

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 issued and treasury shares were as follows:

Ordinary shares issued:

Balance at January 1, 2011	565,676,222
Share-based compensation	401,479
Warrants exercised	7,179,416
Balance at September 30, 2011	573,257,117

Ordinary shares held as treasury shares:

Balance at January 1, 2011	1,122,651
Warrants exercised	3,462,693
Share-based compensation	(400,934)
Balance at September 30, 2011	4,184,410

Non-controlling Interests Losses attributable to non-controlling interests consisted of the following components:

	Successor		Predecessor
	Nine Months Ended September 30, 2011	May 1 through September 30, 2010	January 1 through April 30, 2010
Millions of dollars			
Non-controlling interests comprehensive income (loss):			
Net income (loss) attributable to non-controlling interests	\$ (4)	\$ 7	\$ (53)
Fixed operating fees paid to Lyondell Chemical by the PO/SM II partners		(9)	(7)
Comprehensive loss attributable to non-controlling interests	\$ (4)	\$ (2)	\$ (60)

15. Per Share Data

Basic earnings per share for the periods subsequent to April 30, 2010 are 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 options. The Company has unvested restricted stock and restricted stock units that are considered participating securities for earnings per share. The outstanding warrants were anti-dilutive for the nine months ended September 30, 2011.

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

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

Millions of dollars	Three Months Ended		Nine Months	May 1
	September 30, 2011	September 30, 2010	Ended September 30, 2011	through September 30, 2010
Basic:				
Net income	\$ 895	\$ 467	\$ 2,358	\$ 814
Less: net loss attributable to non-controlling interests		7	4	2
Net income attributable to LyondellBasell N.V.	895	474	2,362	816
Net income attributable to participating securities	(5)	(2)	(14)	(4)
Net income attributable to common stockholders	\$ 890	\$ 472	\$ 2,348	\$ 812
Diluted:				
Net income	\$ 895	\$ 467	\$ 2,358	\$ 814
Less: net loss attributable to non-controlling interests		7	4	2
Net income attributable to LyondellBasell N.V.	895	474	2,362	816
Net income attributable to participating securities	(5)	(2)	(14)	(4)
Effect of dilutive securities warrants	(22)			
Net income attributable to common stockholders	\$ 868	\$ 472	\$ 2,348	\$ 812
Millions of shares				
Basic weighted average common stock outstanding	570	564	567	564
Effect of dilutive securities:				
Warrants	2			
Stock options	3		3	
Dilutive potential shares	575	564	570	564
Earnings per share:				
Basic	\$ 1.56	\$ 0.84	\$ 4.14	\$ 1.45

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

Diluted	\$ 1.51	\$ 0.84	\$ 4.12	\$ 1.45
Anti-dilutive stock options, restricted stock, restricted stock units and warrants in millions		20.2	0.9	20.2
Dividends declared per share of common stock	\$ 0.20	\$	\$ 0.30	\$

31

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Segment and Related Information

We operate in five segments:

Olefins and Polyolefins Americas, primarily manufacturing and marketing of olefins, including ethylene and its co-products, primarily propylene, butadiene, and aromatics, which include benzene and toluene, as well as ethanol; and polyolefins, including polyethylene, comprising high density polyethylene (HDPE), low density polyethylene (LDPE) and linear low density polyethylene (LLDPE), and polypropylene; and *Catalloy* process resins;

Olefins and Polyolefins Europe, Asia, International (O&P EAI), primarily manufacturing and marketing of olefins, including ethylene and its co-products, primarily propylene and butadiene; polyolefins, including polyethylene, comprising HDPE, LDPE, and polypropylene; polypropylene-based compounds, materials and alloys (PP Compounds), *Catalloy* process resins and polybutene-1 polymers;

Intermediates and Derivatives (I&D), primarily manufacturing and marketing of propylene oxide (PO); PO co-products, including styrene and the TBA intermediates tertiary butyl alcohol (TBA), isobutylene and tertiary butyl hydroperoxide; PO derivatives, including propylene glycol, propylene glycol ethers and butanediol; ethylene derivatives, including ethylene glycol, ethylene oxide (EO), and other EO derivatives; acetyls, including vinyl acetate monomer, acetic acid and methanol;

Refining and Oxyfuels, primarily manufacturing and marketing of refined petroleum products, including gasoline, ultra-low sulfur diesel, jet fuel, lubricants (lube oils), alkylate, and oxygenated fuels, or oxyfuels, such as methyl tertiary butyl ether (MTBE) and ethyl tertiary butyl ether (ETBE); and

Technology, primarily licensing of polyolefin process technologies and supply of polyolefin catalysts and advanced catalysts.

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:

<u>Millions of dollars</u> Three Months Ended	Successor						Total
	Olefins and Polyolefins	Olefins and Polyolefins Europe, Asia & Americas	International Derivatives	Intermediates & Oxyfuels	Refining and Technology	Other	
September 30, 2011							
Sales and other operating revenues:							
Customers	\$ 2,727	\$ 3,825	\$ 1,604	\$ 5,035	\$ 78	\$ 28	\$ 13,297
Intersegment	1,148	93	13	834	51	(2,139)	
	3,875	3,918	1,617	5,869	129	(2,111)	13,297
Operating income	599	144	259	454	7	4	1,467
Income from equity investments	7	38	7				52

<u>Millions of dollars</u> Three Months Ended	Successor						Total
	Olefins and Polyolefins	Olefins and Polyolefins Europe, Asia & Americas	International Derivatives	Intermediates & Oxyfuels	Refining and Technology	Other	
September 30, 2010							
Sales and other operating revenues:							
Customers	\$ 2,223	\$ 3,148	\$ 1,367	\$ 3,448	\$ 131	\$ (15)	\$ 10,302
Intersegment	1,024	99	86	419	26	(1,654)	
	3,247	3,247	1,453	3,867	157	(1,669)	10,302
Operating income (loss)	448	231	207	83	38	(19)	988
Income from equity investments	6	20	3				29

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

<u>Millions of dollars</u> Nine Months Ended	Successor						Total
	Olefins and Polyolefins	Olefins and Polyolefins Europe, Asia &	Intermediates & Derivatives	Refining and Oxyfuels	Technology	Other	
September 30, 2011	Americas	International	Derivatives	Oxyfuels	Technology	Other	Total
Sales and other operating revenues:							
Customers	\$ 7,987	\$ 11,794	\$ 5,044	\$ 14,430	\$ 290	\$ 46	\$ 39,591
Intersegment	3,470	332	42	1,992	104	(5,940)	
	11,457	12,126	5,086	16,422	394	(5,894)	39,591
Operating income	1,529	530	728	914	96		3,797
Income from equity investments	18	150	15				183

<u>Millions of dollars</u> May 1 through	Successor						Total
	Olefins and Polyolefins	Olefins and Polyolefins Europe, Asia &	Intermediates & Derivatives	Refining and Oxyfuels	Technology	Other	
September 30, 2010	Americas	International	Derivatives	Oxyfuels	Technology	Other	Total
Sales and other operating revenues:							
Customers	\$ 3,723	\$ 5,246	\$ 2,307	\$ 5,626	\$ 183	\$ (11)	\$ 17,074
Intersegment	1,528	141	86	644	49	(2,448)	
	5,251	5,387	2,393	6,270	232	(2,459)	17,074
Operating income (loss)	597	345	316	97	61	(6)	1,410
Income from equity investments	9	45	2				56

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

Millions of dollars January 1 through	Predecessor						Total
	Olefins and Polyolefins	Olefins and Polyolefins Europe, Asia & Americas International	Intermediates & Derivatives	Refining and Oxyfuels	Technology	Other	
April 30, 2010							
Sales and other operating revenues:							
Customers	\$ 3,220	\$ 4,018	\$ 1,820	\$ 4,293	\$ 104	\$ 12	\$ 13,467
Intersegment	963	87		455	41	(1,546)	
	4,183	4,105	1,820	4,748	145	(1,534)	13,467
Segment operating income (loss)	320	115	157	(99)	39	(41)	491
Current cost adjustment							199
Operating income							690
Income (loss) from equity investments	5	80	(1)				84

17. Emergence from Chapter 11 Proceedings

On April 23, 2010, the U.S. Bankruptcy Court confirmed LyondellBasell AF's Third Amended and Restated Plan of Reorganization and the Debtors emerged from chapter 11 protection on April 30, 2010. As of September 30, 2011, approximately \$106 million of priority and administrative claims are accrued but have yet to be paid.

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

The Company's charges (credits) for reorganization items were as follows:

	Three Months Ended		Successor	May 1	Predecessor
	September 30, 2011	September 30, 2010	Nine Months Ended September 30, 2011	through September 30, 2010	January 1 through April 30, 2010
Millions of dollars					
Change in net assets resulting from the application of fresh-start accounting	\$	\$	\$	\$	\$ 6,278
Gain on discharge of liabilities subject to compromise					(13,617)
Asset write-offs and rejected contracts					25
Estimated claims			24		(262)
Professional fees		12	5	16	172
Plant closures costs					12
Other		1	1	5	4
Total	\$	\$ 13	\$ 30	\$ 21	\$ (7,388)

Estimated claims in the above table include adjustments made to reflect the Debtors' estimated claims to be allowed.

18. Supplemental Guarantor Information

LyondellBasell N.V. has jointly and severally, and fully and unconditionally guaranteed the Senior Secured Notes issued by Lyondell Chemical. Subject to certain exceptions, each of our existing and future wholly owned U.S. restricted subsidiaries (other than Lyondell Chemical, as issuer), other than any such subsidiary that is a subsidiary of a non-U.S. subsidiary (the "Subsidiary Guarantors" and, together with LyondellBasell N.V., the "Guarantors") has also guaranteed the Senior Secured Notes. Each Subsidiary Guarantor is 100% owned by LyondellBasell N.V.

There are no significant restrictions that would impede the Guarantors from obtaining funds by dividend or loan from their subsidiaries. Subsidiaries are generally prohibited from entering into arrangements that would limit their ability to make dividends to or enter into loans with the Guarantors.

As a result of these guarantee arrangements, we are required to present the following condensed consolidating financial information. In this note, LCC refers to Lyondell Chemical Company without its subsidiaries.

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING FINANCIAL INFORMATION
BALANCE SHEET
As of September 30, 2011

Millions of dollars	LyondellBasell			Successor		Consolidated LyondellBasell N.V.
	N.V.	LCC	Guarantors	Non- Guarantors	Eliminations	
Cash and cash equivalents	\$	\$ 1	\$ 2,845	\$ 2,763	\$	\$ 5,609
Restricted cash			246	46		292
Accounts receivable		295	1,346	2,397		4,038
Accounts receivable affiliates	150	2,111	2,656	1,001	(5,918)	
Inventories		608	2,752	2,322		5,682
Notes receivable affiliates	121	8	606	3	(738)	
Other current assets	1	282	178	686	(50)	1,097
Property, plant and equipment, net		362	3,045	3,956		7,363
Investments in subsidiaries	14,329	13,746	3,891		(31,966)	
Other investments and long-term receivables				2,087		2,087
Notes receivable affiliates			535	500	(1,035)	
Other assets, net		503	1,111	751	(266)	2,099
Total assets	\$ 14,601	\$ 17,916	\$ 19,211	\$ 16,512	\$ (39,973)	\$ 28,267
Current maturities of long-term debt	\$	\$	\$	\$ 2	\$	\$ 2
Short-term debt			12	37		49
Notes payable affiliates	7	620	3	131	(761)	
Accounts payable	2	168	957	2,180		3,307
Accounts payable affiliates	17	3,436	1,822	620	(5,895)	
Other current liabilities	15	764	626	782	(367)	1,820
Long-term debt		5,477	3	302		5,782
Notes payable affiliates	535	3,189	9,257		(12,981)	
Other liabilities		274	672	1,075		2,021
Deferred income taxes			787	543	(126)	1,204
Company share of stockholders equity	14,025	3,988	5,072	10,783	(19,843)	14,025
Non-controlling interests				57		57
Total liabilities and stockholders equity	\$ 14,601	\$ 17,916	\$ 19,211	\$ 16,512	\$ (39,973)	\$ 28,267

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING FINANCIAL INFORMATION
BALANCE SHEET
As of December 31, 2010

Millions of dollars	LyondellBasell		Successor			Consolidated
	N.V.	LCC	Guarantors	Non-Guarantors	Eliminations	N.V.
Cash and cash equivalents	\$	\$ 25	\$ 2,086	\$ 2,111	\$	\$ 4,222
Restricted cash				11		11
Accounts receivable		313	1,108	2,326		3,747
Accounts receivable affiliates	636	2,727	2,593	1,444	(7,400)	
Inventories		489	2,560	1,775		4,824
Notes receivable affiliates	98	444	59	110	(711)	
Other current assets		287	133	601	(46)	975
Property, plant and equipment, net		383	2,746	4,061		7,190
Investments in subsidiaries	12,070	10,489	5,122		(27,681)	
Other investments and long-term receivables		2	4	2,174	(75)	2,105
Notes receivable affiliates				500	(500)	
Other assets, net	13	1,054	1,170	688	(697)	2,228
Total assets	\$ 12,817	\$ 16,213	\$ 17,581	\$ 15,801	\$ (37,110)	\$ 25,302
Current maturities of long-term debt	\$	\$	\$	\$ 4	\$	\$ 4
Short-term debt			12	30		42
Notes payable affiliates	1	74	498	178	(751)	
Accounts payable		160	741	1,860		2,761
Accounts payable affiliates	530	4,363	1,504	950	(7,347)	
Other current liabilities	216	418	674	764	(48)	2,024
Long-term debt		5,722	3	311		6,036
Notes payable affiliates	535	3,672	9,124	1	(13,332)	
Other liabilities		413	699	1,071		2,183
Deferred income taxes			832	522	(698)	656
Company share of stockholders equity	11,535	1,391	3,494	10,049	(14,934)	11,535
Non-controlling interests				61		61
Total liabilities and stockholders equity	\$ 12,817	\$ 16,213	\$ 17,581	\$ 15,801	\$ (37,110)	\$ 25,302

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING FINANCIAL INFORMATION
STATEMENT OF INCOME
Three Months Ended September 30, 2011

Millions of dollars	Successor					Consolidated LyondellBasell N.V.
	LyondellBasell N.V.	LCC	Guarantors	Non- Guarantors	Eliminations	
Sales and other operating revenues	\$	\$ 1,274	\$ 7,506	\$ 6,037	\$ (1,520)	\$ 13,297
Cost of sales		1,156	6,292	5,610	(1,520)	11,538
Selling, general and administrative expenses	3	89	27	120		239
Research and development expenses		5	5	43		53
Operating income	(3)	24	1,182	264		1,467
Interest income (expense), net	7	(200)	47	(1)	2	(145)
Other income (expense), net	27	46	3	(64)	(2)	10
Income (loss) from equity investments	860	748	(18)	52	(1,590)	52
Reorganization items (Provision for) benefit from income taxes	4	107	(455)	(145)		(489)
Net income (loss)	895	725	758	107	(1,590)	895
Less: net loss attributable to non-controlling interests						
Net income (loss) attributable to the Company	\$ 895	\$ 725	\$ 758	\$ 107	\$ (1,590)	\$ 895

Table of Contents

LYONDELLBASELL INDUSTRIES N.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING FINANCIAL INFORMATION
STATEMENT OF INCOME
Three Months Ended September 30, 2010

Millions of dollars	Successor					Consolidated LyondellBasell N.V.
	LyondellBasell N.V.	LCC	Guarantors	Non- Guarantors	Eliminations	
Sales and other operating revenues	\$	\$ 1,041	\$ 5,185	\$ 5,011	\$ (935)	\$ 10,302
Cost of sales	(7)	948	4,519	4,550	(935)	9,075
Selling, general and administrative expenses	4	33	55	112		204
Research and development expenses		4	6	25		35
Operating income	3	56	605	324		988
Interest income (expense), net	17	(181)	(9)	(13)		(186)
Other income (expense), net	(76)	9		10	(40)	(97)
Income from equity investments	508	384	37	28	(928)	29
Reorganization items (Provision for) benefit from income taxes	19	(8)	(5)			(13)
	19	143	(215)	(201)		(254)
Net income	471	403	413	148	(968)	467
Less: net loss attributable to non-controlling interests	3			4		7
Net income attributable to the Company	\$ 474	\$ 403	\$ 413	\$ 152	\$ (968)	\$ 474

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING FINANCIAL INFORMATION
STATEMENT OF INCOME
Nine Months Ended September 30, 2011

Millions of dollars	Successor					Consolidated LyondellBasell N.V.
	LyondellBasell N.V.	LCC	Guarantors	Non- Guarantors	Eliminations	
Sales and other operating revenues	\$	\$ 3,712	\$ 21,276	\$ 18,335	\$ (3,732)	\$ 39,591
Cost of sales	2	3,405	18,377	16,903	(3,732)	34,955
Selling, general and administrative expenses	8	251	56	382		697
Research and development expenses		21	19	102		142
Operating income (loss)	(10)	35	2,824	948		3,797
Interest income (expense), net	22	(544)	55	(3)	6	(464)
Other income (expense), net	(15)	23	34	(24)	(6)	12
Income (loss) from equity investments	2,377	1,818	(210)	183	(3,985)	183
Reorganization items (Provision for) benefit from income taxes	(12)	248	(1,073)	(303)		(1,140)
Net income	2,362	1,560	1,621	800	(3,985)	2,358
Less: net loss attributable to non-controlling interests				4		4
Net income attributable to the Company	\$ 2,362	\$ 1,560	\$ 1,621	\$ 804	\$ (3,985)	\$ 2,362

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING FINANCIAL INFORMATION
STATEMENT OF INCOME
May 1 through September 30, 2010

Millions of dollars	Successor					Consolidated LyondellBasell N.V.
	LyondellBasell N.V.	LCC	Guarantors	Non- Guarantors	Eliminations	
Sales and other operating revenues	\$	\$ 1,728	\$ 8,605	\$ 8,399	\$ (1,658)	\$ 17,074
Cost of sales		1,652	7,680	7,599	(1,658)	15,273
Selling, general and administrative expenses	2	57	95	179		333
Research and development expenses		7	10	41		58
Operating income (loss)	(2)	12	820	580		1,410
Interest income (expense), net	26	(302)	(12)	(18)		(306)
Other income (expense), net	(60)			57	(40)	(43)
Income (loss) from equity investments	833	545	(57)	56	(1,321)	56
Reorganization items		(13)	(5)	(3)		(21)
(Provision for) benefit from income taxes	19	195	(290)	(206)		(282)
Net income	816	437	456	466	(1,361)	814
Less: net loss attributable to non-controlling interests				2		2
Net income attributable to the Company	\$ 816	\$ 437	\$ 456	\$ 468	\$ (1,361)	\$ 816

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING FINANCIAL INFORMATION
STATEMENT OF INCOME
January 1 through April 30, 2010

Millions of dollars	LyondellBasell		Predecessor			Consolidated
	AF	LCC	Guarantors	Non-Guarantors	Eliminations	LyondellBasell AF
Sales and other operating revenues	\$	\$ 1,355	\$ 7,102	\$ 6,238	\$ (1,228)	\$ 13,467
Cost of sales	(25)	1,327	6,605	5,735	(1,228)	12,414
Selling, general and administrative expenses	9	42	95	162		308
Research and development expenses		3	12	40		55
Operating income (loss)	16	(17)	390	301		690
Interest income (expense), net	22	(618)	2	(114)		(708)
Other income (expense), net	(44)	18	4	(243)		(265)
Income from equity investments	7,452	5,367	2,532	93	(15,360)	84
Reorganization items	1,118	2,673	3,029	568		7,388
(Provision for) benefit from income taxes		(34)	1,432	(83)		1,315
Net income	8,564	7,389	7,389	522	(15,360)	8,504
Less: net loss attributable to non-controlling interests				60		60
Net income attributable to the Company	\$ 8,564	\$ 7,389	\$ 7,389	\$ 582	\$ (15,360)	\$ 8,564

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING FINANCIAL INFORMATION
STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 2011

Millions of dollars	LyondellBasell		Successor			Consolidated
	N.V.	LCC	Guarantors	Non-Guarantors	Eliminations	LyondellBasell N.V.
Net cash provided by (used in) operating activities	\$ 134	\$ (707)	\$ 2,527	\$ 963	\$ (139)	\$ 2,778
Expenditures for property, plant and equipment		(16)	(556)	(189)		(761)
Proceeds from disposal of assets		5	58	8		71
Restricted cash			(246)	(35)		(281)
Loans to affiliates		(216)	(1,023)		1,239	
Net cash used in investing activities		(227)	(1,767)	(216)	1,239	(971)
Shares issued upon exercise of warrants	37					37
Dividends paid	(171)					(171)
Dividends received from (paid to) affiliates				(139)	139	
Repayments of long-term debt		(259)		(1)		(260)
Proceeds from notes payable to affiliates		1,191		48	(1,239)	
Payments of debt issuance costs		(15)				(15)
Other, net		(7)	(1)			(8)
Net cash provided by (used in) financing activities	(134)	910	(1)	(92)	(1,100)	(417)
Effect of exchange rate changes on cash				(3)		(3)
Increase (decrease) in cash and cash equivalents		(24)	759	652		1,387
Cash and cash equivalents at beginning of period		25	2,086	2,111		4,222
	\$	\$ 1	\$ 2,845	\$ 2,763	\$	\$ 5,609

Cash and cash equivalents
at end of period

44

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING FINANCIAL INFORMATION
STATEMENT OF CASH FLOWS
May 1 through September 30, 2010

Millions of dollars	LyondellBasell		Successor			Consolidated LyondellBasell N.V.
	N.V.	LCC	Guarantors	Non- Guarantors	Eliminations	
Net cash provided by (used in) operating activities	\$ (1)	\$ (373)	\$ 1,705	\$ 898	\$	\$ 2,229
Expenditures for property, plant and equipment		(6)	(171)	(89)		(266)
Loans to affiliates		(297)	(28)		325	
Net cash used in investing activities		(303)	(199)	(89)	325	(266)
Net borrowings under revolving credit facilities				52		52
Proceeds from short-term debt				7		7
Repayments of short-term debt				(8)		(8)
Payments of debt issuance costs		(2)				(2)
Proceeds from (repayments of notes payable to affiliates		51	297	(23)	(325)	
Other, net		1	(5)			(4)
Net cash provided by financing activities		50	292	28	(325)	45
Effect of exchange rate changes on cash				113		113
Increase (decrease) in cash and cash equivalents	(1)	(626)	1,798	950		2,121
Cash and cash equivalents at beginning of period		642	603	1,466		2,711
Cash and cash equivalents at end of period	\$ (1)	\$ 16	\$ 2,401	\$ 2,416	\$	\$ 4,832

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING FINANCIAL INFORMATION
STATEMENT OF CASH FLOWS
January 1 through April 30, 2010

Millions of dollars	Predecessor					Consolidated LyondellBasell AF
	LyondellBasell AF	LCC	Guarantors	Non- Guarantors	Eliminations	
Net cash provided by (used in) operating activities	\$ (107)	\$ (590)	\$ (182)	\$ (46)	\$	\$ (925)
Expenditures for property, plant and equipment		(3)	(96)	(127)		(226)
Proceeds from disposal of assets			1			1
Short-term investments			10	2		12
Restricted cash				(11)		(11)
Contributions and advances to affiliates	(2,550)				2,550	
Loans to affiliates	(57)	543	375		(861)	
Net cash provided by (used in) investing activities	(2,607)	540	290	(136)	1,689	(224)
Issuance of class B ordinary shares	2,800					2,800
Repayments of debtor-in-possession term loan facility		(2,167)		(3)		(2,170)
Net repayments of debtor-in-possession revolving credit facility		(325)				(325)
Net borrowings on revolving credit facilities				38		38
Proceeds from short-term debt				8		8
Repayments of short-term debt				(14)		(14)
Issuance of long-term debt		3,242				3,242
Repayments of long-term debt				(9)		(9)
Payments of debt issuance costs	(86)	(154)		(13)		(253)
Contributions from owners				2,550	(2,550)	

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

Proceeds from notes payable to affiliates			364	(1,225)	861	
Other, net			2	(4)		(2)
Net cash provided by financing activities	2,714	596	366	1,328	(1,689)	3,315
Effect of exchange rate changes on cash				(13)		(13)
Increase in cash and cash equivalents		546	474	1,133		2,153
Cash and cash equivalents at beginning of period		96	129	333		558
Cash and cash equivalents at end of period	\$	\$ 642	\$ 603	\$ 1,466	\$	\$ 2,711

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****GENERAL**

This discussion should be read in conjunction with the information contained in our Consolidated Financial Statements, and the notes thereto contained 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. We also refer to the Company as LyondellBasell N.V., the Successor Company and the Successor.

In addition to comparisons of current operating results with the same period in the prior year, we have included, as additional disclosure, certain trailing quarter comparisons of third quarter 2011 operating results to second quarter 2011 operating results. Our businesses are highly cyclical, in addition to experiencing some less significant seasonal effects. Trailing quarter comparisons may offer important insight into current business direction.

References to industry benchmark prices or costs, including the weighted average cost of ethylene production, are generally to industry prices and costs reported by CMAI, except that 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, and crude oil and natural gas benchmark price references 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, and industry-specific issues, such as production capacity. Our businesses are subject to the cyclicity and volatility seen in the chemicals and refining industries generally. LyondellBasell N.V., the successor holding company, owns and operates, directly and indirectly, substantially the same business owned and operated by LyondellBasell AF prior to the Company's emergence from bankruptcy. For accounting purposes, the operations of LyondellBasell AF are deemed to have ceased on April 30, 2010 and LyondellBasell N.V. is deemed to have begun operations on that date. Effective May 1, 2010, we adopted fresh-start accounting. References in the following discussions to the Company for periods prior to April 30, 2010, the Emergence Date, are to the Predecessor Company and, for periods after the Emergence Date, to the Successor Company.

Foreign Currency Translations of Non-U.S. Denominated Financial Statements In countries outside of the United States, we generally generate revenues and incur operating expenses denominated in local currencies. The predominant local currency of our operations outside of the United States is the Euro. The gains and losses that result from the process of translating foreign functional currency financial statements to U.S. dollars are included in OCI (loss) in Stockholders' Equity. These translation adjustments may be significant in any given period, based on the fluctuations of the Euro relative to the U.S. Dollar. An increase in the value of the U.S. dollar relative to the Euro in the third quarter 2011 resulted in a loss of \$504 million, more than offsetting increases of \$500 million experienced during the first six months of 2011 as the value of the U.S. dollar decreased relative to the Euro. The net loss, which is reflected in the \$4 million loss in OCI on the Consolidated Statement of Stockholders' Equity at September 30, 2011, represents a net decrease in Comprehensive Income during the first nine months of 2011.

To ensure a proper analysis of the quarter over quarter results, the effects of fresh-start accounting on the Successor period are specifically addressed throughout this discussion. The primary impacts of our reorganization pursuant to the Plan of Reorganization and the adoption of fresh-start accounting on our results of operations are as follows:

Tax Impact of Reorganization The application of the tax provisions of the Internal Revenue Code to the Plan of Reorganization resulted in the reduction or elimination of the majority of our tax attributes that otherwise would have carried forward into 2011 and later years. As a result, we did not retain any U.S. net operating loss

Table of Contents

carryforwards, alternative minimum tax credits or capital loss carryforwards going into 2011. In addition, a significant portion of our tax basis in depreciable assets was eliminated. Accordingly, it is expected that our liability for U.S. income taxes in future periods will reflect these adjustments and we estimate our cash tax liabilities for the years following 2010 will be significantly higher than in 2009 or 2010. This situation may be somewhat postponed by the temporary bonus depreciation provisions contained in the Job Creation Act of 2010, which allows current year expensing for certain qualified acquisitions. As a result of certain prior year limitations on the deductibility of our interest expense in the U.S. we retained approximately \$2,500 million of interest carryforwards which are available to offset future taxable income, subject to certain limitations.

Inventory We adopted the last in, first out (LIFO) method of accounting for inventory upon implementation of fresh-start accounting. Prior to the emergence from bankruptcy, LyondellBasell AF used both the first in, first out (FIFO) and LIFO methods of accounting to determine inventory cost. For purposes of evaluating segment results, management reviewed operating results for LyondellBasell AF determined using current cost, which approximates results using the LIFO method of accounting for inventory. Subsequent to the Emergence Date, our operating results are reviewed using the LIFO method of accounting for inventory. While determining the impact of the adoption of LIFO on predecessor periods is not practicable, we believe that the current cost method used by the Predecessor for segment reporting is similar to LIFO.

Depreciation and amortization expense Depreciation and amortization expense is lower in the Successor period as a result of our revaluation of assets for fresh-start accounting. Depreciation and amortization as reported for all periods presented is as follows:

Millions of dollars	Three Months Ended		Successor	May 1	Predecessor
	September 30, 2011	September 30, 2010	Nine Months Ended September 30, 2011	through September 30, 2010	January 1 through April 30, 2010
Cost of sales:					
Depreciation	\$ 188	\$ 163	\$ 527	\$ 255	\$ 464
Amortization	38	47	117	80	75
Research and development expenses:					
Depreciation	6	4	15	7	8
Selling, general and administrative expenses:					
Depreciation	5	8	17	9	18
	\$ 237	\$ 222	\$ 676	\$ 351	\$ 565

Interest expense Lower interest expense in the Successor period was largely driven by the discharge or repayment of debt, upon which interest was accruing during the bankruptcy, through the Company's reorganization on April 30, 2010 pursuant to the Plan of Reorganization, partially offset by interest expense on the new debt incurred as part of the emergence from bankruptcy.

	Successor	Predecessor
	May 1	January 1

	Three Months Ended		Nine Months	through	through
	September	September	Ended	September	through
	30,	30,	September 30,	30,	April 30,
Millions of dollars	2011	2010	2011	2010	2010
Interest expense	\$ 155	\$ 182	\$ 495	\$ 314	\$ 713
		48			

Table of Contents**Overview of Results of Operations**

Global market conditions in the third quarter and first nine months of 2011 improved from those experienced in the same periods in 2010 as general economic activities and demand in the durable goods sector, particularly the automotive markets, were higher. As a result, demand and operating rates were higher in 2011 than in 2010. Excluding the impacts of fresh-start accounting, operating results in the third quarter and first nine months of 2011 generally reflected higher product margins compared to the same periods in 2010. The O&P-Americas business segment benefited from higher product margins driven by lower natural gas liquid prices relative to the price of crude oil. Higher operating results in the O&P-EAI are primarily the result of higher product margins across the ethylene chain, and for butadiene and PP compounds. The I&D business was primarily a reflection of higher product margins and higher sales volumes due to improvement in the global economy and in the durable goods markets. The Refining and Oxyfuels business segment results reflected the benefit of higher refining margins at the Houston refinery. Results of operations for the Successor and Predecessor periods discussed in these Results of Operations are presented in the table below.

	Successor			Predecessor	
	Three Months Ended		Nine Months	May 1	January 1
	September	September	Ended	through	through
Millions of dollars	30,	30,	September 30,	September	April 30,
	2011	2010	2011	30,	2010
Sales and other operating revenues	\$ 13,297	\$ 10,302	\$ 39,591	\$ 17,074	\$ 13,467
Cost of sales	11,538	9,075	34,955	15,273	12,414
Selling, general and administrative expenses	239	204	697	333	308
Research and development expenses	53	35	142	58	55
Operating income	1,467	988	3,797	1,410	690
Interest expense	(155)	(182)	(495)	(314)	(713)
Interest income	10	(4)	31	8	5
Other income (expense), net	10	(97)	12	(43)	(265)
Income from equity investments	52	29	183	56	84
Reorganization items		(13)	(30)	(21)	7,388
Provision for (benefit from) income taxes	489	254	1,140	282	(1,315)
Net income	\$ 895	\$ 467	\$ 2,358	\$ 814	\$ 8,504

RESULTS OF OPERATIONS

Revenues Revenues increased by \$2,995 million, or 29%, in the third quarter 2011 compared to the third quarter 2010 and \$9,050 million, or 30%, in the first nine months of 2011 compared to the first nine months of 2010. Higher average product prices were responsible for revenue increases of 16% and 17%, respectively, in the third quarter and first nine months of 2011, while higher sales volumes added the remaining 13%, compared to the same periods in 2010. Average product sales prices were higher across most products and sales volumes increased primarily due to higher refining volumes at our Houston refinery.

Cost of Sales The \$2,463 million and \$7,268 million increases in cost of sales for the third quarter and first nine months of 2011 was primarily due to higher raw material costs, which reflect the effects of higher prices for crude oil and other hydrocarbons compared to the third quarter and first nine months of 2010. Depreciation and amortization

expense was \$230 million lower in the first nine months of 2011 compared to the first nine months of 2010,
49

Table of Contents

primarily due to the \$7,474 million write-down of Property, Plant and Equipment associated with the April 2010 revaluation of our assets in fresh-start accounting. The third quarter and five-month Successor periods of 2010 included non-cash charges of \$32 million and \$333 million, respectively, to adjust the value of inventory at September 30 and June 30, 2010 to market value, which was lower than the April 30, 2010 value applied during fresh-start accounting. These 2010 Successor periods also included a \$64 million charge as a change in estimate related to a dispute that arose during the third quarter 2010 over environmental liability.

SG&A Expenses Selling, general and administrative (SG&A) expenses in the third quarter and first nine months of 2011 were higher by \$35 million and \$56 million, respectively, compared to the third quarter and first nine months of 2010. The increases reflect charges associated with activities to reorganize certain functional organizations and the impact of higher foreign exchange rates on the non-U.S. portion of these costs. The increases in both periods were partially offset by lower employee-related expenses as a result of a lower headcount.

R&D Expenses Research and development (R&D) expenses in the third quarter and first nine months of 2011 increased \$18 million and \$29 million, respectively, primarily due to impairment charges of \$19 million, including \$17 million for the impairment of an R&D project in Europe during the third quarter 2011, and \$16 million of charges in the second quarter 2011 related to employee severance and asset retirement obligations associated with an R&D facility that is being relocated.

Operating Income The increase in operating income in the third quarter 2011, compared to the third quarter 2010, reflects higher operating results for our Refining and Oxyfuels, O&P-Americas and I&D business segments, partially offset by lower results for our O&P-EAI segment. The increase in operating income for the first nine months of 2011, compared to the same period in 2010, primarily reflects higher refining margins at our Houston refinery and higher product margins for ethylene, butanediol, EO and derivatives and acetyls. Operating results in the first nine months of 2011 and the Successor period in 2010 benefited from lower depreciation and amortization expense of \$240 million, and \$214 million, respectively, primarily due to the \$7,474 million write-down of Property, plant, and equipment associated with the revaluation of our assets in fresh-start accounting in April 2010. Results in the third quarter and five-month Successor periods in 2010 were also negatively impacted by non-cash charges of \$32 million and \$333 million, respectively, to adjust inventory as described above. Operating results for each of our business segments are reviewed further in the **Segment Analysis** section below.

Interest Expense Interest expense was \$27 million lower in the third quarter 2011 compared to the same period in 2010 primarily due to the repayment of \$1,486 million of debt since the beginning of the fourth quarter 2010. This repayment coupled with the repayment or discharge of higher cost debt on the Emergence Date in accordance with the Plan of Reorganization, upon which interest had been accruing during the bankruptcy resulted in \$532 million of lower interest expense in the first nine months of 2011 compared to the corresponding period in 2010.

Other Income (Expense), net Other income, net, in the third quarter and first nine months of 2011, included the fair value adjustments of the warrants to purchase our shares, and foreign exchange losses. The fair value adjustments related to our warrants reflected a benefit of \$22 million in the third quarter 2011 and a negative effect of \$31 million in the first nine months of 2011. Foreign exchange losses incurred in the third quarter and first nine months of 2011 were \$17 million and \$11 million, respectively. The first nine months of 2011 also included a \$41 million gain on the sale of surplus precious metals.

Other expense, net, in the third quarter and first nine months of 2010 included foreign exchange losses of \$20 million and \$238 million, respectively, and the negative effect of the fair value adjustment of warrants to purchase shares of our common stock of \$76 million and \$59 million, respectively. The foreign exchange losses for the first nine months of 2010 are primarily related to the revaluation of third party debt of certain of our subsidiaries due to a decrease in the foreign exchange rates in effect at September 30, 2010 compared to December 31, 2009. Such debt was denominated in currencies other than the functional currencies of these subsidiaries and was refinanced upon emergence from bankruptcy.

Income from Equity Investments Increases of \$23 million and \$43 million in Income from equity investments in the third quarter and first nine months of 2011, respectively, compared to those same periods in 2010, primarily reflect the commencement of commercial operations at our AI Waha joint venture in April 2011 and the addition of capacity at our HMC joint venture in late 2010.

Table of Contents

Reorganization Items The Company had reorganization items expense totaling \$30 million in the first nine months of 2011, and income from reorganization items of \$7,367 million in the first nine months of 2010. Income from reorganization items in the combined 2010 periods included gains totaling \$13,617 million related to settlement of liabilities subject to compromise, deconsolidation of entities upon emergence, adjustments related to rejected contracts, and a reduction of environmental remediation liabilities. These gains were partially offset by a charge of \$6,278 million related to the changes in net assets resulting from the application of fresh-start accounting and by several one-time emergence costs, including the success and other fees earned by certain professionals upon the Company's emergence from bankruptcy, damages related to the rejection of executory contracts and plant closure costs.

Income Tax Our effective income tax rates for the third quarter and first nine months of 2011 were 35.3% and 32.6%, respectively, resulting in tax expense of \$489 million on pretax income of \$1,384 million for the third quarter 2011 and tax expense of \$1,140 million on pretax income of \$3,498 million for the first nine months of 2011. The effective income tax rate for the third quarter 2011 was higher than the year to date effective income tax rate due to a shift of income to higher tax jurisdictions coupled with non-U.S. tax law changes resulting in a lower benefit from the release of valuation allowances. The 2011 effective income tax rate for the first nine months of 2011 was lower than the U.S. statutory 35% rate primarily due to the effect of pretax income in countries with lower statutory tax rates and favorable permanent deductions related to notional royalties, equity earnings, and release of valuation allowance which were partially offset by the non-deductible expenses related to stock warrants. In the five-month Successor period ended September 30, 2010, we recorded a tax provision of \$282 million, representing an effective tax rate of 25.7% on pre-tax income of \$1,096 million. In the four months ended April 30, 2010, the Predecessor recorded a tax benefit of \$1,315 million, representing a negative effective tax rate of 18.3% on pretax income of \$7,189 million. The provision for the 2010 Successor period differs from the statutory 35% rate primarily due to the fact that in several countries the Company generated either income with no tax expense or losses where we recorded no tax benefit due to valuation allowances on our deferred tax assets in those countries.

Net Income The following table summarizes the major components contributing to net income:

	Three Months Ended		Successor	May 1	Predecessor
	September 30, 2011	September 30, 2010	Nine Months Ended September 30, 2011	through September 30, 2010	January 1 through April 30, 2010
Millions of dollars					
Operating income	\$ 1,467	\$ 988	\$ 3,797	\$ 1,410	\$ 690
Interest expense, net	(145)	(186)	(464)	(306)	(708)
Other income (expense), net	10	(97)	12	(43)	(265)
Income from equity investments	52	29	183	56	84
Reorganization items		(13)	(30)	(21)	7,388
Provision for (benefit from) income taxes	489	254	1,140	282	(1,315)
Net income	\$ 895	\$ 467	\$ 2,358	\$ 814	\$ 8,504

Third Quarter 2011 versus Second Quarter 2011 Net income was \$895 million in the third quarter 2011 compared to \$803 million in the second quarter 2011. Net income in the third quarter 2011 reflected pretax charges totaling \$81 million related to compensation expense, impairment of an R&D project in Europe, an asset retirement obligation associated with our Berre refinery and activities to reorganize certain functional organizations in Germany. These charges were partially offset by benefits totaling \$44 million, including the fair value adjustment of our outstanding warrants. The second quarter 2011 reflected pretax charges totaling \$102 million related to corporate restructurings,

reorganization items, environmental charges and the early repayment of debt. These charges were partially offset by pretax benefits totaling \$47 million, including a benefit from the sale of surplus precious metals. Apart from these items, net income in the third quarter 2011 reflected improvements in operating results for our refining and oxyfuels, O&P-Americas and I&D business segments. The benefit of reliable operations and optimization of the Houston refinery crude slate were reflected in the operating results of the refining and oxyfuels business segment, while our O&P-Americas segment results reflected the benefit of strong ethane and naphtha based ethylene margins. Operating results for our I&D segment also reflected an improvement as

Table of Contents

operations remained steady and strong. These net benefits were partially offset by lower net operating income for the O&P-EAI and technology business segments and a higher provision for income taxes in the third quarter 2011.

Segment Analysis

Our operations are primarily in five reportable segments: O&P Americas; O&P EAI; I&D; Refining and Oxyfuels; and Technology. These operations comprise substantially the same businesses owned and operated by LyondellBasell AF prior to the Company's emergence from bankruptcy. However, for accounting purposes, the operations of LyondellBasell AF are deemed to have ceased on April 30, 2010 and LyondellBasell N.V. is deemed to have begun operations on that date. The results of operations for the Successor are not comparable to the Predecessor due to adjustments made under fresh-start accounting as described in Overview. The impact of these items is addressed in the discussion of each segment's results below.

The following tables reflect selected financial information for our reportable segments. Operating income (loss) for segment reporting is on a LIFO basis for the Successor and on a current cost basis for the Predecessor.

			Successor		Predecessor
	Three Months Ended		Nine Months Ended		May 1
Millions of dollars	September 30, 2011	September 30, 2010	September 30, 2011	through September 30, 2010	January 1 through April 30, 2010
Sales and other operating revenues:					
O&P Americas segment	\$ 3,875	\$ 3,247	\$ 11,457	\$ 5,251	\$ 4,183
O&P EAI segment	3,918	3,247	12,126	5,387	4,105
I&D segment	1,617	1,453	5,086	2,393	1,820
Refining and Oxyfuels segment	5,869	3,867	16,422	6,270	4,748
Technology segment	129	157	394	232	145
Other, including intersegment eliminations	(2,111)	(1,669)	(5,894)	(2,459)	(1,534)
Total	\$ 13,297	\$ 10,302	\$ 39,591	\$ 17,074	\$ 13,467
Operating income (loss):					
O&P Americas segment	\$ 599	\$ 448	\$ 1,529	\$ 597	\$ 320
O&P EAI segment	144	231	530	345	115
I&D segment	259	207	728	316	157
Refining and Oxyfuels segment	454	83	914	97	(99)
Technology segment	7	38	96	61	39
Other, including intersegment eliminations	4	(19)		(6)	(41)
Current cost adjustment					199
Total	\$ 1,467	\$ 988	\$ 3,797	\$ 1,410	\$ 690
Income (loss) from equity investments:					
O&P Americas segment	\$ 7	\$ 6	\$ 18	\$ 9	\$ 5

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

O&P	EAI segment	38	20	150	45	80
I&D segment		7	3	15	2	(1)
Total		\$ 52	\$ 29	\$ 183	\$ 56	\$ 84

52

Table of Contents

Olefins and Polyolefins Americas Segment

Overview The U.S. ethylene industry continued to benefit from processing natural gas liquids in the third quarter and first nine months of 2011. The cost of ethylene produced from natural gas liquids is lower compared to that produced from crude oil-based liquids, which is the predominant feedstock used in the rest of the world. Ethylene margins remained strong in 2011 primarily due to advantaged prices for ethane, which was the favored feedstock during the third quarter and first nine months of 2011, and high co-product sales prices, primarily propylene and butadiene. Market demand for polyethylene increased in the third quarter 2011, while increasing prices for propylene throughout the third quarter and most of the first nine months of 2011 pressured the polypropylene market. The impacts of fresh-start accounting, including the benefit of lower depreciation and amortization expense related to the write-down of segment assets, are reflected in the operating results of the first nine months of 2011 and the Successor periods in 2010. The 2010 Successor periods also include the negative impact of non-cash charges to adjust inventory to market value (see Results of Operations-Cost of Sales).

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:

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; and

natural gas liquids (NGLs), principally ethane and propane, the prices of which are generally affected by natural gas 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 benchmarks may vary significantly.

In the U.S., we have significant capability to shift the ratio 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 U.S. industry have favored NGLs during 2011. As a result, we focused on maximizing the use of NGLs at our U.S. plants. During the third quarter and first nine months of 2011, approximately 75% of our ethylene production was 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, and certain polyethylene and polypropylene products. The benchmark weighted average cost of ethylene production, which is reduced by co-product revenues, is based on CMAI'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 September 30,			Nine Months Ended September 30,		
	2011	2010	Change	2011	2010	Change
Crude oil (WTI) dollars per barrel	89.5	76.1	18%	95.5	77.7	23%
Natural gas (Henry Hub) dollars per million BTUs	4.3	4.4	(1)%	4.3	4.6	(6)%
Weighted average U.S. cost of ethylene production cents per pound	34.3	25.2	36%	33.6	28.7	17%
United States cents per pound:						
Ethylene	55.8	38.3	45%	54.2	45.4	19%
Polyethylene (HD)	89.0	77.7	15%	90.7	81.7	11%
Propylene polymer grade	76.5	56.2	36%	78.5	60.3	30%
Polypropylene	103.0	82.7	25%	105.9	86.8	22%

The following table sets forth the O&P Americas segment's sales and other operating revenues, operating income, income from equity investments and selected product sales volumes.

	Successor			Predecessor	
	Three Months Ended		Nine Months Ended	May 1 through	January 1 through
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010	April 30, 2010
Millions of dollars					
Sales and other operating revenues	\$ 3,875	\$ 3,247	\$ 11,457	\$ 5,251	\$ 4,183
Operating income	599	448	1,529	597	320
Income from equity investments	7	6	18	9	5

Production Volumes, in millions of pounds

Ethylene	2,134	2,184	6,152	3,433	2,768
Propylene	838	790	2,163	1,303	1,019

Sales Volumes, in millions of pounds

Polyethylene	1,368	1,472	4,150	2,357	1,765
Polypropylene	635	675	1,831	1,124	836

Revenues O&P Americas revenues increased by \$628 million, or 19%, in the third quarter 2011, compared to the same period in 2010 and by \$2,023 million, or 21%, in the first nine months of 2011 compared to same period in 2010.

Higher average sales prices for most products in the third quarter and first nine months of 2011 were responsible for

revenue increases of 27% and 25%, respectively, while lower sales volumes reduced revenues by 7% in the third quarter 2011 and 4% in the first nine months of 2011 compared to the same periods in 2010. An improved supply/demand balance and higher crude-oil based raw material costs have contributed to the higher average sales prices seen to date in 2011.

Table of Contents

Operating Income Operating results for the O&P Americas segment in the third quarter and first nine months of 2011 reflected increases of \$151 million and \$612 million, respectively, compared to the third quarter and first nine months of 2010. Operating results for the third quarter and five-month Successor periods in 2010 were negatively impacted by non-cash charges of \$26 million and \$197 million, respectively, to adjust inventory to market value. The first nine months of 2011 benefited from lower depreciation expense of \$72 million, compared to the same nine month period in 2010 as a result of the application of fresh-start accounting and the revaluation of our assets.

Operating results in the third quarter 2011 reflected higher ethylene chain margins compared to the third quarter 2010 despite significantly lower polyethylene margins in the third quarter 2011. The lower polyethylene margins were primarily due to the higher price of ethylene in the third quarter 2011 compared to the same 2010 period.

Polypropylene operating results were also lower in the third quarter 2011 reflecting the effects of elevated raw material costs.

The \$612 million increase in operating results for the first nine months of 2011 compared to the first nine months of 2010 was primarily the result of higher ethylene product margins, partially offset by the effect of lower sales volumes for ethylene and polypropylene. Polyethylene product margins in the first nine months of 2011 were relatively unchanged from the corresponding period in 2010 as higher average sales prices and lower freight and distribution costs were offset by higher ethylene feedstock costs. Operating results for the first nine months of 2011 also included higher fixed costs due to a major turnaround at our Channelview plant and a utility supplier outage at our Morris, Illinois facility.

Third Quarter 2011 versus Second Quarter 2011 The O&P Americas segment had operating income of \$599 million in the third quarter 2011 compared to \$509 million in the second quarter 2011. The increase in operating results for the third quarter 2011 reflects higher product margins for ethylene and the effect of higher ethylene and polyethylene sales volumes, which more than offset the effect of lower product margins for polyethylene and polypropylene. The higher product margins for ethylene reflect the effect of lower feedstock prices and the increasing price of butadiene, partially offset by a decrease in the average sales price of ethylene. The lower product margins for polyethylene reflect lower average sales prices coupled with higher price of ethylene.

Olefins and Polyolefins Europe, Asia and International Segment

Overview Market demand for ethylene was lower in Europe in the third quarter 2011 compared to the third quarter 2010 reflecting economic uncertainty, and was comparable in the first nine months of 2011 and 2010. Ethylene industry margins decreased in the third quarter 2011 as the benchmark weighted average cost of ethylene production increased more than the benchmark average sales price, while industry margins for ethylene expanded in the first nine months of 2011 as benchmark average sales prices increased more than the benchmark weighted average cost of ethylene production. Lower market demand for polyolefins in the third quarter 2011 compared to the third quarter 2010, reflected the effects of poor economic conditions and delayed purchases as customers anticipated lower prices. Market demand for polyolefins was comparable in the first nine months of 2011 and 2010.

Operating results in the third quarter 2011 were lower across all businesses in the O&P-EAI segment with the exception of PP compounds, compared to the third quarter 2010. These lower results primarily reflected lower product margins, partially offset by higher sales volume for butadiene, polyethylene and PP compounds. Despite a lower third quarter, operating results for the O&P EAI segment in the first nine months of 2011 reflected strong product margins for ethylene and butadiene compared to the first nine months of 2010, and higher sales volumes across most products in the first nine months of 2011. Operating results for both 2011 periods and the Successor period in 2010 also reflected the impacts of fresh-start accounting, including the benefit of lower depreciation and amortization expense related to the write-down of segment assets. The 2010 Successor periods include the negative impact of non-cash charges to adjust inventory to market value and a charge related to a change in estimate associated with a dispute over environmental indemnity, while the first nine months of 2011 includes charges associated with activities to reorganize certain functional organizations and for increased liabilities at our Wesseling, Germany site (see Results of Operations-Cost of Sales).

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

Table of Contents

The following table shows the average West Europe benchmark prices for Brent crude oil for the applicable periods, as well as benchmark West Europe prices for ethylene and propylene, which we produce and consume internally or purchase from unrelated suppliers, and certain polyethylene and polypropylene products.

	Average Benchmark Price and Percent Change Versus Prior Year Period Average					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	Change	2011	2010	Change
Brent crude oil dollars per barrel	112.09	77.80	44%	111.24	78.33	42%
Western Europe benchmark prices weighted average cost of ethylene production 0.01 per pound	37.3	26.5	41%	35.8	27.5	30%
Ethylene	50.3	43.1	17%	52.3	42.8	22%
Polyethylene (high density)	59.9	52.4	14%	62.6	52.5	19%
Propylene	50.2	43.1	17%	52.1	42.4	23%
Polypropylene (homopolymer)	62.0	60.3	3%	66.0	57.3	15%
Average Exchange Rate \$US per	1.4146	1.2893	10%	1.4066	1.3164	7%

The following table sets forth the O&P EAI segment's sales and other operating revenues, operating income, income from equity investments and selected product production and sales volumes.

Millions of dollars	Successor			Predecessor	
	Three Months Ended		Nine Months Ended	May 1 through	January 1 through
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010	April 30, 2010
Sales and other operating revenues	\$ 3,918	\$ 3,247	\$ 12,126	\$ 5,387	\$ 4,105
Operating income	144	231	530	345	115
Income from equity investments	38	20	150	45	80

Production volumes, in millions of pounds

Ethylene	926	994	2,922	1,589	1,108
Propylene	560	636	1,799	1,024	661

Sales volumes, in millions of pounds

Polyethylene	1,349	1,316	3,933	2,127	1,658
Polypropylene	1,638	1,891	4,973	3,074	2,117

Revenues Revenues increased by \$671 million and \$2,634 million, respectively, in the third quarter and first nine months of 2011 compared to revenues in the third quarter and first nine months of 2010 primarily due to higher average product sales prices, which were mainly driven by higher raw material costs. Sales volumes of polypropylene

in the third quarter were lower than the comparable period in 2010, partially offset by smaller volume increases in olefins, PP compounds, and polybutene. For the nine months of 2011, there was an increase in total volume versus the first nine months of 2010 as a decline in polypropylene sales was more than offset by increases in the other product areas. Higher average sales prices were responsible for revenue increases of 22% in the third quarter 2011 and 25% in the first nine months of 2011 compared to the overall revenue increases of 21% and 28%, respectively. Lower sales volumes were responsible for a 1% decrease in revenues in the third quarter 2011 while the remaining 3% increase in revenues for the first nine months of 2011 was due to higher sales volumes.

Table of Contents

Operating Income Operating results for the O&P EAI segment decreased by \$87 million in the third quarter 2011 and increased by \$70 million in the first nine months of 2011 compared to the same periods in 2010. Operating results for the first nine months of 2011 include the impact of charges associated with activities to reorganize certain functional organizations and for increased liabilities at our Wesseling, Germany site. Operating results for the third quarter and first nine months of 2010 were negatively impacted by a \$43 million charge associated with a change in estimate related to a dispute that arose during the third quarter 2010 over environmental indemnity and by \$5 million of non-cash charges to adjust inventory at both June 30, and September 30, 2010 to market value, which were lower than the April 30, 2010 value applied during fresh-start accounting. The five-month 2010 Successor period also included a \$23 million charge for a plant closure and other costs related to a polypropylene plant in Italy. Depreciation and amortization expense was \$8 million lower in the first nine months of 2011 compared to the same 2010 period primarily due to the write-down of Property, plant and equipment associated with the revaluation of our assets in fresh-start accounting. Apart from the items discussed above, results for the underlying operations of our O&P EAI business segment were lower in the third quarter 2011 and higher in the first nine months of 2011.

Third quarter 2011 operating results were lower across all businesses except for the PP compounding and Catalloy businesses which were relatively unchanged from the third quarter 2010. Lower product margins for olefins, polyethylene and polypropylene as well as the effect of lower propylene sales volumes reflected weaker demand in the third quarter 2011, compared to the third quarter 2010. Improved business results in the first nine months of 2011 primarily reflected higher product margins for ethylene, butadiene, PP compounds and Catalloy, and the effect of higher sales volumes for most products. These improvements were partially offset by lower product margins for polypropylene and polyethylene reflecting higher monomer prices compared to those experienced in the first nine months of 2010. The strength in butadiene margins reflects strong global demand coupled with constrained supply as a result of a preference for NGL olefins feedstocks, which produce less butadiene than liquid feedstocks, in North America.

Third Quarter 2011 versus Second Quarter 2011 The O&P EAI segment had operating income of \$144 million in the third quarter 2011 compared to \$207 million in the second quarter 2011. The decrease in operating results in the third quarter 2011, compared to the second quarter 2011, is primarily attributable to lower product margins across all businesses except for PP compounding. The lower product margins for olefins are primarily due to higher raw material costs reflecting volatility in the price of crude over the period. These increased costs were tempered by continued strong butadiene margins. Polyethylene results were seasonally lower as reflected by weak margins and lower average sales volumes. Results for the polypropylene business weakened during the third quarter, while operating results for PP compounding and Catalloy, improved primarily due to improved margins.

Intermediates and Derivatives Segment

Overview The Intermediates and Derivatives (I&D) segment results for the third quarter and first nine months of 2011 reflected higher margins in all product areas, especially in butanediol (BDO) and in ethylene oxide and derivatives (EO&D). The PO and derivatives (PO&D) market remained generally steady during the third quarter and first nine months of 2011 despite the effect of rising propylene prices. Operating results for the third quarter and first nine months of 2011 reflected the impacts of fresh-start accounting, including the benefit of lower depreciation and amortization expense for the nine months of 2011 related to the write-down of segment assets. The 2010 Successor period also includes the negative impact of a non-cash charge to adjust inventory to market value. See Results of Operations Cost of Sales.

Table of Contents

The following table sets forth the I&D segment's sales and other operating revenues, operating income, income from equity investments and selected product sales volumes.

	Three Months Ended		Successor	May 1	Predecessor
	September	September	Nine	through	January 1
Millions of dollars	30,	30,	Months	September	through
	2011	2010	Ended	30,	April 30,
			September	2010	2010
			30,		
			2011		
Sales and other operating revenues	\$ 1,617	\$ 1,453	\$ 5,086	\$ 2,393	\$ 1,820
Operating income	259	207	728	316	157
Income (loss) from equity investments	7	3	15	2	(1)

Sales Volumes, in millions of pounds

PO&D	758	872	2,387	1,388	1,134
EO&D	281	206	846	363	358
Styrene	714	827	2,383	1,338	858
Acetyls	411	405	1,267	705	518
TBA intermediates	433	454	1,377	783	613

Revenues Revenues for the third quarter and first nine months of 2011 increased \$164 million and \$873 million compared to the third quarter and first nine months of 2010, respectively. The third quarter and first nine months of 2010 include revenues of our Flavor and Fragrances business, which was sold in December 2010. These revenues were approximately 3% of total I&D segment revenues in each of the periods in 2010. Higher average sales prices resulted in revenue increases of 19% and 20%, respectively, in the third quarter and first nine months of 2011. Lower styrene sales volumes, offset partially by higher EO&D volumes, were primarily responsible for a volume-based revenue decrease of 5% in the third quarter 2011 compared to the third quarter 2010. For the first nine months of 2011, volume increases were responsible for a 4% revenue increase compared to the first nine months of 2010. Styrene and EO&D were the main contributors to the volume increase in the first nine months of 2011.

Operating Income Operating results for the I&D segment reflected an increase of \$52 million in the third quarter 2011 compared to the third quarter 2010 and an increase of \$255 million in the first nine months of 2011 compared to the same 2010 period.

Higher margins for BDO and other PO derivatives, and for EO&D, were the primary drivers of increased operating income in both the third quarter and first nine months of 2011. Margins and volumes in all of the I&D business remained strong. Automotive and other durables demand and competitor outages contributed to favorable supply/demand fundamentals as prices outpaced increased raw material costs.

Operating results in the first nine months of 2011 benefited from lower depreciation and amortization expense of \$37 million compared to the combined first nine months of 2010 primarily due to the write-down of Property, plant and equipment associated with the revaluation of our assets in fresh-start accounting. Operating results for the five-month 2010 Successor period were negatively impacted by a \$25 million non-cash charge to adjust inventory at June 30, 2010 to market, which was lower than the value at April 30, 2010 applied during fresh-start accounting.

Third Quarter 2011 versus Second Quarter 2011 The I&D segment had operating income of \$259 million in the third quarter 2011 compared to \$235 million in the second quarter 2011. Operating results for the third quarter 2011 primarily reflected continued strong volumes and product margins for PO&D, especially BDO, due to favorable supply/demand fundamentals. Profitable purchases for resale in the acetyls business contributed to the second quarter 2011 operating results.

Table of Contents

Refining and Oxyfuels Segment

Overview Benchmark U.S. heavy crude refining margins were higher in the third quarter and first nine months of 2011 as a result of significant discounts for heavy crude oil. European refining margins were challenged by industry overcapacity and the loss of Libyan crude oil supply. Oxyfuels margins in 2011 improved compared to 2010 due to higher gasoline prices relative to the cost of natural gas liquids-based raw material costs.

Segment operating results in the third quarter and first nine months of 2011 primarily reflected the effect of higher crude oil refining margins, higher oxyfuels margins, and increased crude runs at the Houston refinery compared to the same periods in 2010. Crude processing rates at the Houston refinery were higher in the third quarter and first nine months of 2011, compared to the same periods in 2010, as a result of unplanned outages during 2010, including the crude unit fire in May 2010. Third quarter 2011 crude processing rates at the Berre refinery were lower than the third quarter 2010 as local refining margins did not support higher processing rates. Oxyfuels results in the third quarter and first nine months of 2011 were higher compared to the same period in 2010. Operating results for the first nine months of 2011 and the five-month Successor period in 2010 reflect the impacts of fresh-start accounting, including the benefit of lower depreciation and amortization expense related to the write-down of segment assets. In addition, the five-month Successor period in 2010 was negatively impacted by non-cash charges to adjust inventory to market value. See Results of Operations Cost of Sales.

Table of Contents

The following table sets forth the Refining and Oxyfuels segment's sales and other operating revenues, operating income and sales volumes for certain gasoline blending components for the applicable periods. In addition, the table shows market refining margins for the U.S. and Europe and MTBE margins in Northwest Europe (NWE). In the U.S., LLS, or Light Louisiana Sweet and WTI, or West Texas Intermediate, are light crude oils, while Maya is a heavy crude oil. In Europe, Urals 4-1-2-1 is a measure of West European refining margins.

	Three Months Ended		Successor Nine Months Ended	Predecessor May 1 through	Predecessor January 1 through
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010	April 30, 2010
Millions of dollars					
Sales and other operating revenues	\$ 5,869	\$ 3,867	\$ 16,422	\$ 6,270	\$ 4,748
Operating income (loss)	454	83	914	97	(99)
Sales Volumes, in millions					
Gasoline blending components - MTBE/ETBE (gallons)	260	248	658	407	266
Crude processing rates (thousands of barrels per day)					
Houston Refinery	269	261	263	217	263
Berre Refinery	79	99	88	102	75
Market margins \$ per barrel					
Light crude oil - 2-1-1*	9.54	7.60	8.64	8.96	7.50
Light crude oil Maya differential†	13.99	8.54	15.85	8.63	9.46
Total Maya 2-1-1	23.53	16.14	24.49	17.59	16.96
Urals 4-1-2-1	8.76	5.89	8.10	6.45	6.17
Market margins cents per gallon					
MTBE NWE	94.1	45.2	81.8	54.0	58.5

* WTI crude oil was used as the Light crude reference for periods prior to 2011. As of January 1, 2011 Light Louisiana Sweet (LLS) crude oil is used as the Light crude oil reference. Beginning in early 2011, the WTI crude oil reference has not been an effective indicator of light crude oil pricing given the large location differential compared to other light crude oils.

Revenues Revenues for the Refining and Oxyfuels segment increased \$2,002 million and \$5,404 million, respectively, in the third quarter and first nine months of 2011 compared to the third quarter and first nine months of 2010. These increases are primarily due to higher average sales prices and the effect of higher refining sales volumes at our Houston refinery. The increases in Houston refinery revenues in the third quarter and first nine months of 2011 were partially offset by lower oxyfuels sales volumes, and in third quarter 2011 by lower refining volumes at the Berre refinery. Higher average sales prices were responsible for revenue increases of 43% and 40%, respectively, in the third quarter and first nine months of 2011. The remaining increases in revenues of 9% in both the third quarter and first nine months of 2011 were related to higher sales volumes.

Houston refinery crude processing rates were higher by 3% and 11%, respectively, in the third quarter and first nine months of 2011, compared to the same 2010 periods. These increases primarily reflect the effects of an unplanned outage during the third quarter 2010 and a crude unit fire in the second quarter 2010. Crude processing rates for the Berre refinery were 20% lower in the third quarter and relatively unchanged in the first nine months of 2011, compared to the same 2010 periods. The lower crude processing rates for the Berre refinery during the third quarter

Table of Contents

2011 compared to the same 2010 period reflects management's decision to reduce crude processing rates in response to continued poor market conditions.

Operating Income (Loss) Operating results for the third quarter and first nine months of 2011 increased by \$371 million and \$916 million, respectively, compared to the same periods in 2010. The improvement in the underlying operations of the refining and oxyfuels businesses primarily reflects higher refining margins at the Houston refinery as indicated by the increase in the Maya 2-1-1 benchmark margin, and higher oxyfuels margins. Financial performance of the Houston refining business was favorably impacted by purchasing crude oils at discounts versus the Maya reference price for heavy crude oil. Margins for oxyfuels products reflect the effect of higher spreads between the prices of gasoline and butane, a key raw material. Operating results for the first nine months of 2011 include a \$34 million benefit related to an insurance recovery associated with the misconduct of a former employee. Operating results for the first nine months of 2011 also benefited from lower depreciation expense of \$108 million, compared to the same 2010 period as a result of the application of fresh-start accounting and the revaluation of our assets.

Operating results for the third quarter and first nine months of 2010 were negatively impacted by a \$21 million charge associated with a change in estimate related to a dispute over environmental indemnity, and in the first nine months of 2010, by a crude unit fire in May 2010, resulting in lost production and \$14 million of cash costs. Operating results for the 2010 five-month Successor period were negatively impacted by non-cash charges totaling \$133 million to adjust inventory to market value, which was lower than the April 30, 2010 value applied during fresh-start accounting.

Third Quarter 2011 versus Second Quarter 2011 The Refining and Oxyfuels segment had operating income of \$454 million in the third quarter 2011 compared to \$296 million in the second quarter 2011. The improvement in the third quarter 2011 operating results was primarily the result of higher margins at the Houston refinery driven by purchasing crude oil at discounts versus the Maya reference price for heavy crude oil, partially offset by lower oxyfuels margins.

Crude processing rates at the Houston refinery were 2% higher in the third quarter 2011 compared to the second quarter 2011. Berre refinery crude processing rates were reduced in the third quarter 2011 in response to continued poor market conditions. Margins at the Berre refinery improved slightly in the third quarter 2011. Oxyfuels product margins were seasonally lower in the third quarter 2011 compared to the second quarter 2011, reflecting the lower spread between ethanol and gasoline as demand for high octane, clean gasoline components declined.

Technology Segment

Overview The Technology segment results reflected higher research and development costs in the third quarter and first nine months of 2011 and lower licensing and services revenue in the third quarter of 2011 compared to the same 2010 periods. Operating results for the catalyst business were higher in both 2011 periods compared to the corresponding periods in 2010. The following table sets forth the Technology segment's sales and other operating revenues and operating income.

	Three Months Ended		Successor Nine Months Ended	May 1 through	Predecessor January 1 through
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010	April 30, 2010
Millions of dollars					
Sales and other operating revenues	\$ 129	\$ 157	\$ 394	\$ 232	\$ 145
Operating income	7	38	96	61	39

Revenues Revenues for the third quarter and first nine months of 2011 decreased by \$28 million, or 18%, and increased by \$17 million, or 5%, compared to the third quarter and first nine months of 2010, respectively. The decrease in the third quarter 2011 reflects lower process licensing and services revenue, partially offset by the effect of higher catalyst sales volumes compared to the third quarter 2010. The increase in revenues for the first nine months of

Table of Contents

2011 reflects the recognition of previously deferred process license revenue and the effect of higher catalyst sales volumes compared to the first nine months of 2010.

Operating Income Operating income in the third quarter 2011 decreased by \$31 million and remained relatively unchanged in the first nine months of 2011, compared to the third quarter and first nine months of 2010. The decrease in the third quarter 2010 reflected lower revenue related to process licenses from prior years and higher R&D expenses, partially offset by the effects of higher operating results for catalysts. Higher R&D costs in the first nine months of 2011 more than offset the effects of higher revenue from process licenses from prior years and higher operating results for catalysts. Operating income in the 2010 periods reflected the impact of a slowdown in polyolefin projects that stemmed from the economic crisis in late 2008. The higher R&D costs in the first nine months of 2011 include \$19 million of charges, primarily related to the impairment of an R&D project in Europe, and charges totaling \$16 million for employee severance and asset retirement obligations related to an R&D facility that is being relocated.

Third Quarter 2011 versus Second Quarter 2011 The Technology segment had operating income of \$7 million in the third quarter 2011 compared to \$23 million in the second quarter 2011. The decrease in third quarter 2011 operating results was primarily due to lower process license revenue in the third quarter. R&D costs were comparable in the second and third quarters of 2011 and included charges totaling \$16 million for employee severance and asset retirement obligations related to an R&D facility that is being relocated and \$19 million of impairment charges described above, respectively. Third quarter 2011 operating results for the catalyst business were comparable to the second quarter 2011.

FINANCIAL CONDITION

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

	Successor	Predecessor
	Nine Months Ended September 30, 2011	May 1 through September 30, 2010
Millions of dollars		January 1 through April 30, 2010
Source (use) of cash:		
Operating activities	\$ 2,778	\$ 2,229
Investing activities	(971)	(266)
Financing activities	(417)	3,315

Operating Activities Cash of \$2,778 million provided in the first nine months of 2011 primarily reflected an increase in earnings and higher distributions from our joint ventures, partially offset by an increase in cash used by the main components of working capital and company contributions to our pension plans. The \$1,304 million of cash provided in the combined first nine months of 2010 primarily reflected an increase in earnings offset by payments for reorganization items, claims under the Plan of Reorganization and certain annual payments related to sales rebates, employee bonuses, property taxes and insurance premiums.

The main components of working capital used cash of \$594 million in the first nine months of 2011 compared to \$437 million in the first nine months of 2010. The increase in these working capital components during the first nine months of 2011 reflects increases of \$282 million and \$864 million, respectively, in accounts receivable and inventories, partially offset by a \$552 million increase in accounts payable. The increases in both accounts receivable and accounts payable reflect the effect of increasing prices over the period, and the increase in inventories reflects temporary volume increases in our O&P Americas and I&D business segments.

Table of Contents

The \$437 million use of cash by the main components of working capital in the first nine months of 2010 reflected a \$616 million increase in accounts receivable due to the effects of higher average sales prices and higher sales volumes and a \$237 million increase in inventory, partially offset by a \$416 million increase in accounts payable due to the higher costs and volumes of feedstocks, and more favorable payment terms.

Investing Activities Cash of \$971 million used in investing activities in the first nine months of 2011 primarily reflects capital expenditures and a \$281 million increase in restricted cash, partially offset by proceeds from the sale of assets. Capital expenditures include a pipeline that we purchased in July 2011 for \$73 million. The \$71 million of proceeds include \$57 million related to the sale of surplus precious metals. The increase in restricted cash is primarily related to the issuance of letters of credit, which are cash collateralized.

Investing activities of \$490 million in the combined 2010 period reflect capital expenditures that were partially offset by \$12 million in proceeds from a money market fund that had suspended rights to redemption in 2008.

The following table summarizes capital expenditures for the periods presented:

	Successor	Predecessor	
	Nine Months Ended September 30, 2011	May 1 through September 30, 2010	January 1 through April 30, 2010
Millions of dollars			
Capital expenditures by segment:			
O&P Americas	\$ 353	\$ 90	\$ 52
O&P EAI	125	63	102
I&D	45	44	8
Refining and Oxyfuels	212	56	49
Technology	18	10	12
Other	14	3	3
Total capital expenditures by segment	767	266	226
Less:			
Contributions to PO Joint Ventures	6		
Consolidated capital expenditures of continuing operations	\$ 761	\$ 266	\$ 226

The capital expenditures in the 2010 Predecessor period presented in the table above exclude costs of major periodic maintenance and repair activities, including turnarounds and catalyst recharges of \$71 million.

Financing Activities Financing activities used cash of \$417 million in the first nine months of 2011 and provided \$3,360 million in the combined 2010 period. In May 2011, we redeemed \$203 million and 34 million (\$50 million) of our 8% Senior Secured Notes due 2017, comprising 10% of the then outstanding senior secured dollar notes and senior secured Euro notes at March 31, 2011. We paid \$7 million of premiums in conjunction with the redemption of the notes. In June 2011, we paid \$15 million of fees related to the amendment of our U.S. ABL facility.

In the first nine months of 2011, we paid cash dividends totaling \$171 million, including dividends of \$0.20 and \$0.10 per share of common stock, respectively, to shareholders of record on August 17, 2011 and May 5, 2011. In the first quarter of 2011, we received proceeds of \$37 million upon conversion of outstanding warrants to common stock. The 2010 Successor period reflects a net increase in borrowings of \$61 million under our European Securitization facility and payments of \$9 million related to a previous factoring facility in France.

Table of Contents

As part of the emergence from bankruptcy, we received gross proceeds of \$2,800 million on April 30, 2010 in connection with the issuance of shares in a rights offering and paid \$86 million of fees, including \$70 million of fees to equity backstop providers. On April 30, 2010, we also received net proceeds of \$3,242 million from the issuance of new debt by our subsidiary, Lyondell Chemical, including Senior Secured Notes in the amounts of \$2,250 million and 375 million (\$497 million) and from proceeds of the Senior Term Loan Facility of \$495 million, and paid related fees of \$72 million.

Proceeds from the rights offering and the Senior Notes, along with borrowings under the Senior Term Loan Facility and the amended and restated European Securitization, were used to repay outstanding amounts of \$3,152 million under our DIP financing arrangement and to pay a \$195 million exit fee required under the arrangement. We also paid fees totaling \$92 million in connection with our new U.S. ABL Facility and amended and restated European Securitization facility. Predecessor debt classified as Liabilities subject to compromise immediately prior to the emergence from bankruptcy was discharged pursuant to the Plan of Reorganization (see Note 17).

Apart from the payments reflected above, during the 2010 Predecessor period we repaid a \$5 million Argentinean loan, made a \$12 million mandatory quarterly amortization payment of a Dutch term loan, \$3 million of which was related to the DIP financing arrangement, and made payments of \$8 million on a previous factoring facility. In addition, we made payments totaling \$13 million related to the extension of the DIP financing. We also had a net increase in borrowings of \$47 million under the European Securitization facility in the 2010 Predecessor period.

Liquidity and Capital Resources As of September 30, 2011, we had unrestricted cash of \$5,609 million. In addition, we had total unused availability under our credit facilities of \$2,329 million at September 30, 2011, which included the following:

\$1,738 million under our \$2,000 million U.S. ABL facility, which is subject to a borrowing base, net of outstanding borrowings and outstanding letters of credit provided under the facility. At September 30, 2011, we had \$262 million of outstanding letters of credit and no outstanding borrowings under the facility.

410 million and \$25 million (totaling approximately \$591 million) under our 450 million European receivables securitization facility. Availability under the European receivables securitization facility is subject to a borrowing base, net of outstanding borrowings. There were no outstanding borrowings under this facility at September 30, 2011.

In addition to the letters of credit issued under the U.S. ABL facility, we also have outstanding letters of credit totaling \$267 million, which are collateralized by cash. Such cash is included in the \$292 million of Restricted cash reflected on the Consolidated Balance Sheets as of September 30, 2011.

We may use cash on hand, cash from operating activities and proceeds from asset divestitures to repay debt, which may include additional purchases of our outstanding bonds in the open market or otherwise. We also plan to finance our ongoing working capital, capital expenditures, debt service and other funding requirements through our future financial and operating performance, which could be affected by general economic, financial, competitive, legislative, regulatory, business and other factors, many of which are beyond our control. To the extent our cash balances and results of operations support the payment of dividends, we also intend to declare and pay interim dividends. We believe that our cash, 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.

At September 30, 2011, we had total debt, including current maturities, of \$5,833 million.

On October 20, 2011, we announced a cash tender offer for up to \$1,470 million aggregate principal amount of our outstanding 8% Senior Secured Dollar Notes due 2017 and 8% Senior Secured Euro Notes due 2017 and up to \$1,319 million aggregate principal amount of our outstanding 11% Senior Secured Dollar Notes due 2018. In conjunction with the tender offer, we are soliciting consents from the note holders to release the collateral securing the notes and to modify other provisions related to restrictive covenants. The tender offer expires on November 21, 2011 and the consent solicitation expires on November 2, 2011. We cannot be assured that note holders will tender their notes or consent to the changes in the terms of the notes, and, subject to applicable securities laws and certain

Table of Contents

terms and conditions set forth in the related Offer to Purchase and Consent Solicitation Statement (as it may be amended or supplemented from time to time), we have the right to terminate the tender at any time.

We also announced that, subject to market and other conditions, we anticipate returning up to \$2.6 billion to shareholders through a special dividend. Any such dividend would be financed using a combination of our existing cash and proceeds of a potential new debt offering. Additionally, we expect to make voluntary contributions to our pension funds of \$250 million in the fourth quarter of 2011.

In June 2011, we obtained an amendment to our U.S. ABL facility to, among other things: (i) increase the facility to \$2 billion; (ii) extend the maturity date to June 2016; (iii) reduce the applicable margin and commitment fee and (iv) amend certain covenants and conditions to provide additional flexibility

In March 2011, we amended and restated our Senior Secured Term Loan Agreement to, among other things, modify the term of the agreement and certain restrictive covenants. This amended and restated agreement matures in April 2014.

We filed registration statements with the SEC to conduct an exchange offer for our Senior Secured 8% Notes and register the resale of our Senior Secured 11% Notes held by affiliates as required by certain registration rights agreements to which we are a party. These registration statements for the exchange or resale, as applicable, were effective with the SEC on September 13, 2011. The registration rights agreements required the registration statements to be effective with the SEC by May 3, 2011. As a result, from May 4, 2011 to the effective dates of the applicable registration statement, we were subject to penalties in the form of increased interest rates. Such interest penalties were not material.

An offering to sell our Berre refinery in France, which commenced in May 2011, did not result in any offers to purchase. As a result, in September 2011 we announced our intention to initiate the consultation process regarding the contemplated closure of operations at the refinery. The cessation of operations would affect approximately 370 employees.

ACCOUNTING AND REPORTING CHANGES

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

Table of Contents

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

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

We based the forward-looking statements on our current expectations, estimates and projections about ourselves and the industries in which we operate in general. We caution you 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:

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

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;

our ability to implement business strategies may be negatively affected or restricted by, among other things, governmental regulations or policies;

the cost of raw materials represent a substantial portion of our operating expenses, and energy costs generally follow price trends of crude oil and 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;

industry production capacities and operating rates may lead to periods of oversupply and low profitability;

uncertainties associated with worldwide economies create increased counterparty risks, which could reduce liquidity or cause financial losses resulting from counterparty exposure;

the negative outcome of any legal, tax and environmental proceedings may increase our costs;

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 may face operating interruptions due to events beyond our control at any of our facilities, which would negatively impact our operating results, and because the Houston refinery is our only North American 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;

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

Table of Contents

we are subject to the risks of doing business at a global level, including fluctuations in exchange rates, 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.

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, 2010. Our exposure to such risks has not changed materially in the nine months ended September 30, 2011.

Item 4. CONTROLS AND PROCEDURES

Our management, with the participation of our principal executive officer and our principal financial officer has evaluated the effectiveness of our disclosure controls and procedures and have concluded that such disclosure controls and procedures were not effective as of September 30, 2011, the end of the period covered by this Quarterly Report on Form 10-Q. The ineffectiveness was caused by the material weakness disclosed in Item 9A. of our Form 10-K for the year ended December 31, 2010 and Item 8.01 of our Current Report on Form 8-K/A filed on August 12, 2011. Nevertheless, based on a number of factors, including the performance of additional procedures by management designed to ensure the correctness of our tax provision and reliability of our financial reporting, we believe that the consolidated financial statements in this quarterly report fairly present, in all material respects, our financial position, results of operations, and cash flows as of the dates, and for the periods, presented, in conformity with U.S. GAAP. In the nine months ended September 30, 2011 and through the date of this quarterly report, the Company continues to implement measures to improve its internal controls in order to remediate the material weakness previously disclosed. Specifically, the Company implemented improved reporting processes designed to provide clarity of presentation and supporting documentation of its tax provision and have hired additional personnel and retained outside resources to assist in the review and analysis of tax provision information. The Company believes these changes have materially affected its internal control over financial reporting by enhancing controls related to the material weakness previously identified. However, the material weakness will not be remediated until the enhanced procedures have been operating for a reasonable period of time.

Table of Contents

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Bankruptcy Proceedings

On January 6, 2009, certain of LyondellBasell AF S.C.A.'s indirect U.S. subsidiaries, including Lyondell Chemical, and its German indirect subsidiary, Basell Germany Holdings GmbH, voluntarily filed for protection under Chapter 11 in the Bankruptcy Court. In April and May of 2009, LyondellBasell AF and certain other subsidiaries filed voluntary petitions for relief under Chapter 11 in the Bankruptcy Court. The Bankruptcy Cases were filed in response to a sudden loss of liquidity in the last quarter of 2008. The debtors operated their businesses and managed their properties as debtors in possession during the Bankruptcy Cases. In general, this means that the Debtors operated in the ordinary course without Bankruptcy Court intervention. Bankruptcy Court approval was required, however, where the debtors sought authorization to engage in certain transactions not in the ordinary course of business.

We emerged from bankruptcy on April 30, 2010. As of that date, all assets of the debtor entities vested in the reorganized debtor entities free and clear of all claims, liens, encumbrances, charges, and other interests, except as provided in the Plan of Reorganization or the confirmation order entered on April 23, 2010 (the Confirmation Order). Except as otherwise expressly provided in the Plan of Reorganization or in the Confirmation Order, on April 30, 2010, each holder of a claim or equity interest is deemed to have forever waived, released, and discharged the debtor entities and the reorganized debtor entities, to the fullest extent permitted by law, of and from any and all claims, equity interests, rights, and liabilities that arose prior to the confirmation date.

Environmental Matters

From time to time we and our joint ventures receive notices or inquiries from federal, state or local governmental 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. There are no such matters pending as of September 30, 2011.

Litigation and Other Matters

Information regarding our litigation and other legal proceedings can be found under the Litigation and Other Matters section of Note 14, *Commitments and Contingencies*, to the Condensed Consolidated Financial Statements.

Table of Contents

Item 1A. RISK FACTORS

In Item 1A of our Form 10-K for the year ended December 31, 2010, we disclosed that certain activities raised compliance issues related to sanctioned countries that we voluntarily disclosed to the U.S. Treasury Department and that we could not predict the outcome of the matter although there is a risk that we could be subject to civil and criminal penalties.

On October 4, 2011, we received notification from the U.S. Treasury Department stating that it had decided to address the matters we voluntarily disclosed by issuing a cautionary letter instead of pursuing any penalties. The cautionary letter further stated it represents a final enforcement response and we therefore consider the matters voluntarily disclosed to be closed.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended September, 2011, we issued 4,250,498 shares upon exercise of warrants. The warrants originally were issued on April 30, 2010, the date of our emergence from bankruptcy proceedings, with an exercise price of \$15.90 per share. We received no proceeds from the exercises of the warrants, as they were exercised pursuant to a cashless exercise procedure pursuant to which we withhold shares that would otherwise be issued in payment of the exercise price.

The issuance of the warrants and the shares issued upon exercise of the warrants were exempt from the registration requirements of Section 5 of the Securities Act and any other applicable laws pursuant to Section 1145 of the Bankruptcy Code, which generally exempts distributions of securities in connection with plans of reorganization. None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering.

Table of Contents

Item 6. EXHIBITS

- 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.

71

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: November 1, 2011

/s/ Wendy M. Johnson
Wendy M. Johnson
Chief Accounting Officer and Controller
(*Chief Accounting and Duly Authorized
Officer*)

72