

LyondellBasell Industries N.V.

Form 10-Q

November 01, 2011

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**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.



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

|   | Successor             |            |                          | Predecessor              |                         |
|---|-----------------------|------------|--------------------------|--------------------------|-------------------------|
|   | Three Months<br>Ended |            | Nine<br>Months<br>Ended  | May 1<br>through         | January<br>1<br>through |
|   | September 30,<br>2011 | 2010       | September<br>30,<br>2011 | September<br>30,<br>2010 | April 30,<br>2010       |
| <b>Millions of dollars, except earnings per share</b>                             |                       |            |                          |                          |                         |
| <b>Sales and other operating revenues:</b>  |                       |            |                          |                          |                         |
| 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                  |
| <b>Operating costs and expenses:</b>  |                       |            |                          |                          |                         |
| 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,<br>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)                 |
| <b>Net income</b>   | <b>895</b>            | <b>467</b> | <b>2,358</b>             | <b>814</b>               | <b>8,504</b>            |
| Net loss attributable to non-controlling interests                                |                       | 7          | 4                        | 2                        | 60                      |
| Net income attributable to the Company  | \$ 895                | \$ 474     | \$ 2,362                 | \$ 816                   | \$ 8,564                |
| <b>Earnings per share:</b>  |                       |            |                          |                          |                         |
| <b>Net income:</b>  |                       |            |                          |                          |                         |
| 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.

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CONSOLIDATED BALANCE SHEETS**

| <b>Millions, except shares and par value data</b> | <b>September<br/>30,<br/>2011</b> | <b>December<br/>31,<br/>2010</b> |
|---|-----------------------------------|----------------------------------|
| <b>ASSETS</b>                                     |                                   |                                  |
| 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                              |
| <br>Total current assets                          | <br>16,718                        | <br>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                              |
| <br>Total assets                                  | <br>\$ 28,267                     | <br>\$ 25,302                    |

See Notes to the Consolidated Financial Statements.

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

| <b>Millions, except shares and par value data</b>  | <b>September<br/>30,<br/>2011</b> | <b>December<br/>31,<br/>2010</b> |
|--|-----------------------------------|----------------------------------|
| <b>LIABILITIES AND EQUITY</b>  |                                   |                                  |
| 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                              |
| <br>   |                                   |                                  |
| 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<br>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)                             |                                  |
| <br>   |                                   |                                  |
| Total company share of stockholders' equity  | 14,025                            | 11,535                           |
| Non-controlling interests  | 57                                | 61                               |
| <br>   |                                   |                                  |
| Total equity   | 14,082                            | 11,596                           |
| <br>   |                                   |                                  |
| Total liabilities and equity   | \$ 28,267                         | \$ 25,302                        |

See Notes to the Consolidated Financial Statements.

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**LYONDELLBASELL INDUSTRIES N.V.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | <b>Successor<br/>May 1</b>                                      | <b>Predecessor<br/>January 1</b>  |
|--|---|---|
|  | <b>Nine<br/>Months<br/>Ended<br/>September<br/>30,<br/>2011</b> | <b>through<br/>September<br/>30,<br/>2010<br/><br/>through<br/>April 30,<br/>2010</b> |
| <b>Millions of dollars</b>   |   |   |
| <b>Cash flows from operating activities:</b>   |   |   |
| 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   |
| <b>Cash flows from investing activities:</b>   |   |   |
| 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)   |
| <b>Cash flows from financing activities:</b>   |   |   |
| 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)   |

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|   |              |              |              |
|---|--------------|--------------|--------------|
| 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)         |
| <b>Increase in cash and cash equivalents</b>                        | <b>1,387</b> | <b>2,121</b> | <b>2,153</b> |
| 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.

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**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.

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**LYONDELLBASELL INDUSTRIES N.V.  
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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

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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.

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**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.

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

**5. Inventories**

Inventories consisted of the following components:

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

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:

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

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.

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Depreciation and amortization expense is summarized as follows:

|                                      | <b>Three Months Ended</b> |                  | <b>Successor</b>          | <b>May 1 through</b> | <b>Predecessor</b>       |
|--------------------------------------|---------------------------|------------------|---------------------------|----------------------|--------------------------|
|                                      | <b>September</b>          | <b>September</b> | <b>Nine Months Ended</b>  | <b>September</b>     | <b>January 1 through</b> |
| <b>Millions of dollars</b>           | <b>30, 2011</b>           | <b>30, 2010</b>  | <b>September 30, 2011</b> | <b>30, 2010</b>      | <b>April 30, 2010</b>    |
| 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:

| <b>Millions of dollars</b>       |                    | <b>U.S. PO<br/>Joint<br/>Venture</b> | <b>European<br/>PO<br/>Joint<br/>Venture</b> | <b>Total PO<br/>Joint<br/>Ventures</b> |
|----------------------------------|--------------------|--------------------------------------|--|--|
| <b>Successor</b>                 |                    |                                      |  |  |
| 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                                 |
| <br>                             |                    |                                      |  |  |
| 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                                 |
| <br>                             |                    |                                      |  |  |
| <b>Predecessor</b>               |                    |                                      |  |  |
| 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:

| <b>Millions of dollars</b>     | <b>Successor<br/>Nine<br/>Months<br/>Ended<br/>September<br/>30,<br/>2011</b> | <b>Predecessor<br/>May 1<br/>through<br/>September<br/>30,<br/>2010</b> | <b>Predecessor<br/>January 1<br/>through<br/>April 30,<br/>2010</b> |
|--------------------------------|---|---|---|
| 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  |

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

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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 |               | Three Months Ended September 30, 2010 |               |
|                                | 100%                                  | Company Share | 100%                                  | 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                            |               | Successor                        |               | Predecessor                      |               |
|--------------------------------|--------------------------------------|---------------|----------------------------------|---------------|----------------------------------|---------------|
|                                | Nine Months Ended September 30, 2011 |               | May 1 through September 30, 2010 |               | 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)          |

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|            |        |        |        |       |        |       |
|------------|--------|--------|--------|-------|--------|-------|
| 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

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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:

| <b>Millions of dollars</b>                         | <b>Successor</b>                  |                                  |
|--|-----------------------------------|----------------------------------|
|  | <b>September<br/>30,<br/>2011</b> | <b>December<br/>31,<br/>2010</b> |
| 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                               |
| <b>Total</b>                                       | <b>5,784</b>                      | <b>6,040</b>                     |
| Less current maturities                            | (2)                               | (4)                              |
| <b>Long-term debt</b>                              | <b>\$ 5,782</b>                   | <b>\$ 6,036</b>                  |

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

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

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



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**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.

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**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.

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

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

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

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

|                     |      |     |                    |
|---------------------|------|-----|--------------------|
| Heating oil sales   | 2    | 126 | million<br>gallons |
| Crude oil purchases | 10   | 3   | million<br>gallons |
|                     | \$ 8 |     | 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.

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**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.

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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) |
|-----------------------------------|---|-----------------|------------|--|---|---|
| <b>September 30, 2011:</b>        |   |                 |            |  |   |   |
| <b>Assets at fair value:</b>      |   |                 |            |  |   |   |
| 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   | \$  |
| <b>Liabilities at fair value:</b> |   |                 |            |  |   |   |
| Derivatives:                      |   |                 |            |  |   |   |
| Commodities                       | Accrued liabilities                       | \$ 377          | \$ 13      | \$   | \$ 13   | \$  |
| Warrants                          | Accrued liabilities                       | 14              | 13         |  | 13  |   |
|                                   |   | \$ 391          | \$ 26      | \$   | \$ 26   | \$  |
| <b>December 31, 2010:</b>         |   |                 |            |  |   |   |
| <b>Liabilities at fair value:</b> |   |                 |            |  |   |   |
| 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<br>Three Months Ended September 30, 2011 |  |   |  | Income Statement<br>Classification   |
|---------------------------------------|--|--|---|--|--------------------------------------|
|                                       | Gain<br>(Loss)<br>Recognized<br>in<br>AOCI                               | Gain<br>(Loss)<br>Reclassified<br>from<br>AOCI<br>to Income    | Additional<br>Gain<br>(Loss)<br>Recognized<br>in Income |  |                                      |
| Millions of dollars                   |  |  |   |  |                                      |
| Derivatives not designated as hedges: |  |  |   |  | Other<br>income<br>(expense),<br>net |
| Warrants                              | \$   | \$   | \$ 22   |  | Cost of<br>sales                     |
| Commodities                           |  |  | 30  |  | Other<br>income<br>(expense),<br>net |
| Foreign currency                      |  |  | (1)   |  |                                      |
|                                       | \$   | \$   | \$ 51   |  |                                      |
|                                       |  |  |   |  |                                      |
| Predecessor                           | Three Months Ended September 30, 2010                                    |  |   |  | Income Statement<br>Classification   |
|                                       | Gain<br>(Loss)<br>Recognized<br>in<br>AOCI                               | Gain<br>(Loss)<br>Reclassified<br>from<br>AOCI<br>to<br>Income | Additional<br>Gain<br>(Loss)<br>Recognized<br>in Income |  |                                      |
| Millions of dollars                   |  |  |   |  |                                      |
| Derivatives not designated as hedges: |  |  |   |  | Other income<br>(expense), net       |
| Warrants                              | \$   | \$   | \$ (76)   |  | Cost of sales                        |
| Commodities                           |  |  | 1   |  | Other income<br>(expense), net       |
| Foreign currency                      |  |  | (1)   |  |                                      |
|                                       | \$   | \$   | \$ (76)   |  |                                      |

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

**May 1 through September 30, 2010**

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

**January 1 through April 30, 2010**

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

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

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

| <b>Millions of dollars</b>                             | <b>September 30, 2011</b> |                   | <b>December 31, 2010</b> |                   |
|--|---------------------------|-------------------|--------------------------|-------------------|
|  | <b>Carrying Value</b>     | <b>Fair Value</b> | <b>Carrying Value</b>    | <b>Fair Value</b> |
| 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:

| <b>Millions of dollars</b>                                  | <b>Fair Value Measurement</b> |                   |   |  |  |
|---|-------------------------------|-------------------|---|--|--|
|   | <b>Carrying Value</b>         | <b>Fair Value</b> | <b>Quoted prices in active markets for identical assets (Level 1)</b> | <b>Significant other observable inputs (Level 2)</b> | <b>Significant unobservable inputs (Level 3)</b> |
| 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:

| <b>Millions of dollars</b>                   | <b>Fair Value Measurement Using Quoted prices in active markets for identical assets (Level 1)</b> | <b>Fair Value Measurement Using Significant Other Observable Inputs (Level 2)</b> |
|--|--|---|
| 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:

|                                | <b>U.S. Plans</b>  |                                   |   |   | <b>Predecessor<br/>January<br/>1<br/>through<br/>April 30,<br/>2010</b> |
|--------------------------------|--|-----------------------------------|---|---|---|
|                                | <b>Successor<br/>Nine<br/>Months</b>                     |                                   | <b>Ended<br/>September<br/>30,<br/>2011</b> |   |   |
| <b>Millions of dollars</b>     | <b>Three Months Ended<br/>September<br/>30,<br/>2011</b> | <b>September<br/>30,<br/>2010</b> | <b>Ended<br/>September<br/>30,<br/>2011</b> | <b>May 1<br/>through<br/>September<br/>30,<br/>2010</b> |   |
| 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   |

|                                 | <b>Non-U.S. Plans</b>                                    |                                   |   |   | <b>Predecessor<br/>January<br/>1<br/>through<br/>April 30,<br/>2010</b> |
|---------------------------------|--|-----------------------------------|---|---|---|
|                                 | <b>Successor<br/>Nine<br/>Months</b>                     |                                   | <b>Ended<br/>September<br/>30,<br/>2011</b> |   |   |
| <b>Millions of dollars</b>      | <b>Three Months Ended<br/>September<br/>30,<br/>2011</b> | <b>September<br/>30,<br/>2010</b> | <b>Ended<br/>September<br/>30,<br/>2011</b> | <b>May 1<br/>through<br/>September<br/>30,<br/>2010</b> |   |
| 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:

|                            | <b>U.S. Plans</b>  |      |   |   | <b>Predecessor<br/>January<br/>1<br/>through<br/>April 30,<br/>2010</b> |
|----------------------------|--|------|---|---|---|
|                            | <b>Three Months Ended<br/>September<br/>30,<br/>2011</b> |      | <b>Successor<br/>Nine<br/>Months<br/>Ended<br/>September<br/>30,<br/>2011</b> |   |   |
| <b>Millions of dollars</b> |  |      |   | <b>May 1<br/>through<br/>September<br/>30,<br/>2010</b> |   |
| 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  |

|                            | <b>Non-U.S. Plans</b>                                    |      |   |   | <b>Predecessor<br/>January<br/>1<br/>through<br/>April 30,<br/>2010</b> |
|----------------------------|--|------|---|---|---|
|                            | <b>Three Months Ended<br/>September<br/>30,<br/>2011</b> |      | <b>Successor<br/>Nine<br/>Months<br/>Ended<br/>September<br/>30,<br/>2011</b> |   |   |
| <b>Millions of dollars</b> |  |      |   | <b>May 1<br/>through<br/>September<br/>30,<br/>2010</b> |   |
| 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 :

|                                | <b>Successor</b>  |   | <b>Predecessor</b>                                  |
|--------------------------------|---|---|---|
|                                | <b>Nine<br/>Months<br/>Ended<br/>September<br/>30,<br/>2011</b> | <b>May 1<br/>through<br/>September<br/>30,<br/>2010</b> | <b>January 1<br/>through<br/>April 30,<br/>2010</b> |
| <b>Millions of dollars</b>     |   |   |   |
| 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   |

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**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.

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**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

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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:

|   | <b>Successor</b>  |   | <b>Predecessor</b>                                  |
|---|---|---|---|
|   | <b>Nine<br/>Months<br/>Ended<br/>September<br/>30,<br/>2011</b> | <b>May 1<br/>through<br/>September<br/>30,<br/>2010</b> | <b>January 1<br/>through<br/>April 30,<br/>2010</b> |
| <b>Millions of dollars</b>  |   |   |   |
| 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:

| <b>Millions of dollars</b>                               | <b>Three Months Ended</b>         |                                   | <b>Nine</b>  | <b>May 1</b>                                  |
|--|-----------------------------------|-----------------------------------|--|---|
|  | <b>September<br/>30,<br/>2011</b> | <b>September<br/>30,<br/>2010</b> | <b>Months<br/>Ended<br/>September<br/>30,<br/>2011</b> | <b>through<br/>September<br/>30,<br/>2010</b> |
| <b>Basic:</b>  |                                   |                                   |  |   |
| 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  |
| <b>Diluted:</b>  |                                   |                                   |  |   |
| 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  |
| <b>Millions of shares</b>                                |                                   |                                   |  |   |
| 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   |
| <b>Earnings per share:</b>                               |                                   |                                   |  |   |
| Basic  | \$ 1.56                           | \$ 0.84                           | \$ 4.14  | \$ 1.45                                       |

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

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**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><br>Three Months Ended | Successor                     |  |                                   |                             |            |         | Total     |
|--|-------------------------------|--|-----------------------------------|-----------------------------|------------|---------|-----------|
|  | Olefins<br>and<br>Polyolefins | Olefins<br>and<br>Polyolefins<br>Europe,<br>Asia & | Intermediates<br>&<br>Derivatives | Refining<br>and<br>Oxyfuels | Technology | Other   |           |
| <b>September 30, 2011</b>                        | Americas                      | International                                      | Derivatives                       | Oxyfuels                    | Technology | Other   | Total     |
| 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><br>Three Months Ended | Successor                     |  |                                   |                             |            |         | Total     |
|--|-------------------------------|--|-----------------------------------|-----------------------------|------------|---------|-----------|
|  | Olefins<br>and<br>Polyolefins | Olefins<br>and<br>Polyolefins<br>Europe,<br>Asia & | Intermediates<br>&<br>Derivatives | Refining<br>and<br>Oxyfuels | Technology | Other   |           |
| <b>September 30, 2010</b>                        | Americas                      | International                                      | Derivatives                       | Oxyfuels                    | Technology | Other   | Total     |
| 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        |

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

| <u>Millions of dollars</u><br>Nine Months Ended | Successor                     |  |                                   |                             |            |         | Total     |
|---|-------------------------------|--|-----------------------------------|-----------------------------|------------|---------|-----------|
|   | Olefins<br>and<br>Polyolefins | Olefins<br>and<br>Polyolefins<br>Europe,<br>Asia & | Intermediates<br>&<br>Derivatives | Refining<br>and<br>Oxyfuels | Technology | Other   |           |
| <b>September 30, 2011</b>                       | 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><br>May 1 through | Successor                     |  |                                   |                             |            |         | Total     |
|---|-------------------------------|--|-----------------------------------|-----------------------------|------------|---------|-----------|
|   | Olefins<br>and<br>Polyolefins | Olefins<br>and<br>Polyolefins<br>Europe,<br>Asia & | Intermediates<br>&<br>Derivatives | Refining<br>and<br>Oxyfuels | Technology | Other   |           |
| <b>September 30, 2010</b>                   | 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<br>January 1 through   | Predecessor                   |  |                                   |                             |            |         | Total     |
|--|-------------------------------|--|-----------------------------------|-----------------------------|------------|---------|-----------|
|  | Olefins<br>and<br>Polyolefins | Olefins<br>and<br>Polyolefins<br>Europe,<br>Asia &<br>Americas International | Intermediates<br>&<br>Derivatives | Refining<br>and<br>Oxyfuels | Technology | Other   |           |
| <b>April 30, 2010</b>  |                               |  |                                   |                             |            |         |           |
| 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        |
| Sales and other operating revenues and operating income (loss) in the Other column above include elimination of intersegment transactions. |                               |  |                                   |                             |            |         |           |

**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 |           | Successor     | May 1     | Predecessor |
|---|--------------|-----------|---------------|-----------|-------------|
|   | Ended        | Ended     | Nine Months   | through   | January 1   |
| Millions of dollars   | September    | September | September 30, | September | through     |
|   | 30,          | 30,       | September 30, | 30,       | April 30,   |
|   | 2011         | 2010      | 2011          | 2010      | 2010        |
| 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.

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

| Millions of dollars                                  | LyondellBasell   |                  |                  | Successor          |                    | Consolidated<br>LyondellBasell<br>N.V. |
|--|------------------|------------------|------------------|--------------------|--------------------|--|
|  | N.V.             | LCC              | Guarantors       | Non-<br>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<br>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<br>equipment, net                |                  | 362              | 3,045            | 3,956              |                    | 7,363                                  |
| Investments in subsidiaries                          | 14,329           | 13,746           | 3,891            |                    | (31,966)           |  |
| Other investments and<br>long-term receivables       |                  |                  |                  | 2,087              |                    | 2,087                                  |
| Notes receivable affiliates                          |                  |                  | 535              | 500                | (1,035)            |  |
| Other assets, net                                    |                  | 503              | 1,111            | 751                | (266)              | 2,099                                  |
| <b>Total assets</b>                                  | <b>\$ 14,601</b> | <b>\$ 17,916</b> | <b>\$ 19,211</b> | <b>\$ 16,512</b>   | <b>\$ (39,973)</b> | <b>\$ 28,267</b>                       |
| Current maturities of<br>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<br>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<br>stockholders equity              | 14,025           | 3,988            | 5,072            | 10,783             | (19,843)           | 14,025                                 |
| Non-controlling interests                            |                  |                  |                  | 57                 |                    | 57                                     |
| <b>Total liabilities and<br/>stockholders equity</b> | <b>\$ 14,601</b> | <b>\$ 17,916</b> | <b>\$ 19,211</b> | <b>\$ 16,512</b>   | <b>\$ (39,973)</b> | <b>\$ 28,267</b>                       |



**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            |
| <b>Total assets</b>                              | <b>\$ 12,817</b> | <b>\$ 16,213</b> | <b>\$ 17,581</b> | <b>\$ 15,801</b> | <b>\$ (37,110)</b> | <b>\$ 25,302</b> |
| 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               |
| <b>Total liabilities and stockholders equity</b> | <b>\$ 12,817</b> | <b>\$ 16,213</b> | <b>\$ 17,581</b> | <b>\$ 15,801</b> | <b>\$ (37,110)</b> | <b>\$ 25,302</b> |



**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**

| <b>Millions of dollars</b>                                     | <b>Successor</b>               |            |                   |                            |                     | <b>Consolidated<br/>LyondellBasell<br/>N.V.</b> |
|--|--------------------------------|------------|-------------------|----------------------------|---------------------|---|
|  | <b>LyondellBasell<br/>N.V.</b> | <b>LCC</b> | <b>Guarantors</b> | <b>Non-<br/>Guarantors</b> | <b>Eliminations</b> |   |
| 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  |

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**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<br>LyondellBasell<br>N.V. |
|--|------------------------|----------|------------|--------------------|--------------|--|
|  | LyondellBasell<br>N.V. | LCC      | Guarantors | Non-<br>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                                     |                        | (8)      | (5)        |                    |              | (13)                                   |
| (Provision for) benefit from income taxes                | 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<br>LyondellBasell<br>N.V. |
|--|------------------------|----------|------------|--------------------|--------------|--|
|  | LyondellBasell<br>N.V. | LCC      | Guarantors | Non-<br>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**

| <b>Millions of dollars</b>                               | <b>Successor</b>               |            |                   |                            |                     | <b>Consolidated<br/>LyondellBasell<br/>N.V.</b> |
|--|--------------------------------|------------|-------------------|----------------------------|---------------------|---|
|  | <b>LyondellBasell<br/>N.V.</b> | <b>LCC</b> | <b>Guarantors</b> | <b>Non-<br/>Guarantors</b> | <b>Eliminations</b> |   |
| 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**

| <b>Millions of dollars</b>                               | <b>Predecessor</b>           |            |                   |                            |                     | <b>Consolidated<br/>LyondellBasell<br/>AF</b> |
|--|------------------------------|------------|-------------------|----------------------------|---------------------|---|
|  | <b>LyondellBasell<br/>AF</b> | <b>LCC</b> | <b>Guarantors</b> | <b>Non-<br/>Guarantors</b> | <b>Eliminations</b> |   |
| 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                                 | Successor              |          |            |                    |              | Consolidated<br>LyondellBasell<br>N.V. |
|---|------------------------|----------|------------|--------------------|--------------|--|
|   | LyondellBasell<br>N.V. | LCC      | Guarantors | Non-<br>Guarantors | Eliminations |  |
| 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

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**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<br>LyondellBasell<br>N.V. |
|--|----------------|----------|------------|--------------------|--------------|--|
|  | N.V.           | LCC      | Guarantors | Non-<br>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<br>LyondellBasell<br>AF |
|--|----------------------|----------|------------|--------------------|--------------|--------------------------------------|
|  | LyondellBasell<br>AF | LCC      | Guarantors | Non-<br>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)      |                                      |

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|  |       |        |        |          |         |          |
|--|-------|--------|--------|----------|---------|----------|
| 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

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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 |
| <b>Cost of sales:</b>                                |                    |                    |                                      |                            |                                  |
| Depreciation   | \$ 188             | \$ 163             | \$ 527                               | \$ 255                     | \$ 464                           |
| Amortization   | 38                 | 47                 | 117                                  | 80                         | 75                               |
| <b>Research and development expenses:</b>            |                    |                    |                                      |                            |                                  |
| Depreciation   | 6                  | 4                  | 15                                   | 7                          | 8                                |
| <b>Selling, general and administrative expenses:</b> |                    |                    |                                      |                            |                                  |
| 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   |

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

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**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       |           |
|  | September          | September | Ended         | through     |           |
|  | 30,                | 30,       | September 30, | September   |           |
| Millions of dollars                          | 2011               | 2010      | 2011          | 30,         |           |
|  |                    |           |               | 2010        |           |
|  |                    |           |               | through     |           |
|  |                    |           |               | April 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,  
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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.



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**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

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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     | May 1     | Predecessor |
|---|--------------------|-----------|---------------|-----------|-------------|
|   | Three Months Ended | September | Nine Months   | through   | January 1   |
| Millions of dollars                           | September          | September | September 30, | September | through     |
|   | 30,                | 30,       | September 30, | 30,       | April 30,   |
|   | 2011               | 2010      | 2011          | 2010      | 2010        |
| <b>Sales and other operating revenues:</b>    |                    |           |               |           |             |
| 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   |
| <b>Operating income (loss):</b>               |                    |           |               |           |             |
| 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      |
| <b>Income (loss) from equity investments:</b> |                    |           |               |           |             |
| O&P Americas segment                          | \$ 7               | \$ 6      | \$ 18         | \$ 9      | \$ 5        |

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

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***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.

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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.

|   | <b>Average Benchmark Price and Percent Change<br/>Versus Prior Year Period Average</b> |             |               |  |             |               |
|---|--|-------------|---------------|--|-------------|---------------|
|   | <b>Three months<br/>ended<br/>September 30,</b>  |             |               | <b>Nine Months<br/>Ended<br/>September 30,</b> |             |               |
|   | <b>2011</b>  | <b>2010</b> | <b>Change</b> | <b>2011</b>                                    | <b>2010</b> | <b>Change</b> |
| 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.

|                                    | <b>Successor</b>          |                           |                           | <b>Predecessor</b>        |                          |
|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------|
|                                    | <b>Three Months Ended</b> |                           | <b>Nine Months Ended</b>  | <b>May 1 through</b>      | <b>January 1 through</b> |
|                                    | <b>September 30, 2011</b> | <b>September 30, 2010</b> | <b>September 30, 2011</b> | <b>September 30, 2010</b> | <b>April 30, 2010</b>    |
| <b>Millions of dollars</b>         |                           |                           |                           |                           |                          |
| 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.

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**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.

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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<br>Versus Prior Year Period Average |        |        |                                    |        |        |
|---|--|--------|--------|------------------------------------|--------|--------|
|   | Three Months<br>Ended<br>September 30,   |        |        | Nine Months Ended<br>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.

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**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.

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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.



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***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.

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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<br>Nine<br>Months<br>Ended | Predecessor<br>May 1<br>through | Predecessor<br>January 1<br>through |
|--|--------------------------|--------------------------|--------------------------------------|---------------------------------|-------------------------------------|
|  | September<br>30,<br>2011 | September<br>30,<br>2010 | September<br>30,<br>2011             | September<br>30,<br>2010        | April 30,<br>2010                   |
| <b>Millions of dollars</b>                                       |                          |                          |                                      |                                 |                                     |
| Sales and other operating revenues                               | \$ 5,869                 | \$ 3,867                 | \$ 16,422                            | \$ 6,270                        | \$ 4,748                            |
| Operating income (loss)  | 454                      | 83                       | 914                                  | 97                              | (99)                                |
| <b>Sales Volumes, in millions</b>                                |                          |                          |                                      |                                 |                                     |
| Gasoline blending components -<br>MTBE/ETBE (gallons)            | 260                      | 248                      | 658                                  | 407                             | 266                                 |
| <b>Crude processing rates (thousands<br/>of barrels per day)</b> |                          |                          |                                      |                                 |                                     |
| Houston Refinery   | 269                      | 261                      | 263                                  | 217                             | 263                                 |
| Berre Refinery   | 79                       | 99                       | 88                                   | 102                             | 75                                  |
| <b>Market margins \$ per barrel</b>                              |                          |                          |                                      |                                 |                                     |
| 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                                |
| <b>Market margins cents per gallon</b>                           |                          |                          |                                      |                                 |                                     |
| 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

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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<br>Nine<br>Months<br>Ended | May 1<br>through         | Predecessor<br>January<br>1<br>through |
|------------------------------------|--------------------------|--------------------------|--------------------------------------|--------------------------|--|
|                                    | September<br>30,<br>2011 | September<br>30,<br>2010 | September<br>30,<br>2011             | September<br>30,<br>2010 | April 30,<br>2010                      |
| <b>Millions of dollars</b>         |                          |                          |                                      |                          |  |
| 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

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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:

|                            | <b>Successor</b>  | <b>Predecessor</b>  |
|----------------------------|---|---|
|                            | <b>Nine<br/>Months<br/>Ended<br/>September<br/>30,<br/>2011</b> | <b>May 1<br/>through<br/>September<br/>30,<br/>2010<br/><br/>April 30,<br/>2010</b> |
| <b>Millions of dollars</b> |   |   |
| Source (use) of cash:      |   |   |
| Operating activities       | \$ 2,778  | \$ 2,229  |
| Investing activities       | (971)   | (266)   |
| Financing activities       | (417)   | 45  |
|                            |   | 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.

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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:

|  | <b>Successor</b>  | <b>Predecessor</b>                                      |   |
|--|---|---|---|
|  | <b>Nine<br/>Months<br/>Ended<br/>September<br/>30,<br/>2011</b> | <b>May 1<br/>through<br/>September<br/>30,<br/>2010</b> | <b>January 1<br/>through<br/>April 30,<br/>2010</b> |
| <b>Millions of dollars</b>                                 |   |   |   |
| <b>Capital expenditures by segment:</b>                    |   |   |   |
| 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   |
| <b>Less:</b>   |   |   |   |
| 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.

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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 \$75 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

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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.

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**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

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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.

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**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.

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**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.

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**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.

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**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.

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**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)*

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