

LyondellBasell Industries N.V.  
Form 10-Q  
November 01, 2016  
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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, 2016**

**or**

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

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

**Commission file number: 001-34726**

**LYONDELLBASELL INDUSTRIES N.V.**

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

|                                                                  |                                              |                                              |
|------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| <b>The Netherlands</b><br><b>(State or other jurisdiction of</b> |                                              | <b>98-0646235</b><br><b>(I.R.S. Employer</b> |
| <b>incorporation or organization)</b>                            |                                              | <b>Identification No.)</b>                   |
| <b>1221 McKinney St.,</b>                                        | <b>4<sup>th</sup> Floor, One Vine Street</b> | <b>Delftseplein 27E</b>                      |
| <b>Suite 300</b>                                                 | <b>London</b>                                | <b>3013 AA Rotterdam</b>                     |
| <b>Houston, Texas</b>                                            | <b>W1J0AH</b>                                | <b>The Netherlands</b>                       |
| <b>USA 77010</b>                                                 | <b>The United Kingdom</b>                    |                                              |
| <b>(Addresses of registrant's principal executive offices)</b>   |                                              |                                              |

(713) 309-7200

+44 (0) 207 220 2600

+31 (0)10 275 5500

**(Registrant's telephone numbers, including area codes)**

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

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

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

The registrant had 407,523,823 ordinary shares, 0.04 par value, outstanding at October 27, 2016 (excluding 170,911,647 treasury shares).

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**LYONDELLBASELL INDUSTRIES N.V.**

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| Millions of dollars, except earnings per share                               | Three Months Ended    |          | Nine Months Ended     |           |
|------------------------------------------------------------------------------|-----------------------|----------|-----------------------|-----------|
|                                                                              | September 30,<br>2016 | 2015     | September 30,<br>2016 | 2015      |
| <b>Sales and other operating revenues:</b>                                   |                       |          |                       |           |
| Trade                                                                        | \$ 7,191              | \$ 8,119 | \$ 20,879             | \$ 25,051 |
| Related parties                                                              | 174                   | 215      | 557                   | 613       |
|                                                                              | 7,365                 | 8,334    | 21,436                | 25,664    |
| <b>Operating costs and expenses:</b>                                         |                       |          |                       |           |
| Cost of sales                                                                | 5,903                 | 6,465    | 16,771                | 19,891    |
| Selling, general and administrative expenses                                 | 188                   | 194      | 580                   | 627       |
| Research and development expenses                                            | 25                    | 25       | 73                    | 76        |
|                                                                              | 6,116                 | 6,684    | 17,424                | 20,594    |
| <b>Operating income</b>                                                      | 1,249                 | 1,650    | 4,012                 | 5,070     |
| Interest expense                                                             | (72)                  | (85)     | (237)                 | (233)     |
| Interest income                                                              | 4                     | 8        | 13                    | 26        |
| Other income, net                                                            | 19                    | 10       | 104                   | 35        |
| Income from continuing operations before equity investments and income taxes | 1,200                 | 1,583    | 3,892                 | 4,898     |
| Income from equity investments                                               | 81                    | 93       | 289                   | 252       |
| Income from continuing operations before income taxes                        | 1,281                 | 1,676    | 4,181                 | 5,150     |
| Provision for income taxes                                                   | 326                   | 487      | 1,104                 | 1,468     |
| Income from continuing operations                                            | 955                   | 1,189    | 3,077                 | 3,682     |
| Loss from discontinued operations, net of tax                                | (2)                   | (3)      | (3)                   | (3)       |
| <b>Net income</b>                                                            | 953                   | 1,186    | 3,074                 | 3,679     |
| Net (income) loss attributable to non-controlling interests                  | (1)                   | (1)      | (1)                   | 2         |
| Net income attributable to the Company shareholders                          | \$ 952                | \$ 1,185 | \$ 3,073              | \$ 3,681  |
| <b>Earnings per share:</b>                                                   |                       |          |                       |           |
| <b>Net income (loss) attributable to the Company shareholders</b>            |                       |          |                       |           |
| Basic:                                                                       |                       |          |                       |           |
| Continuing operations                                                        | \$ 2.31               | \$ 2.57  | \$ 7.26               | \$ 7.81   |

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|                         |         |         |         |         |
|-------------------------|---------|---------|---------|---------|
| Discontinued operations | (0.01)  | (0.01)  | (0.01)  | (0.01)  |
|                         | \$ 2.30 | \$ 2.56 | \$ 7.25 | \$ 7.80 |
| Diluted:                |         |         |         |         |
| Continuing operations   | \$ 2.31 | \$ 2.55 | \$ 7.24 | \$ 7.78 |
| Discontinued operations | (0.01)  | (0.01)  | (0.01)  | (0.01)  |
|                         | \$ 2.30 | \$ 2.54 | \$ 7.23 | \$ 7.77 |

See Notes to the Consolidated Financial Statements.

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

| <b>Millions of dollars</b>                                                                | <b>Three Months Ended</b> |                      | <b>Nine Months Ended</b> |                      |
|-------------------------------------------------------------------------------------------|---------------------------|----------------------|--------------------------|----------------------|
|                                                                                           | <b>September 30,</b>      | <b>September 30,</b> | <b>September 30,</b>     | <b>September 30,</b> |
|                                                                                           | <b>2016</b>               | <b>2015</b>          | <b>2016</b>              | <b>2015</b>          |
| Net income                                                                                | \$ 953                    | \$ 1,186             | \$ 3,074                 | \$ 3,679             |
| Other comprehensive income (loss), net of tax                                             |                           |                      |                          |                      |
| Financial derivatives:                                                                    |                           |                      |                          |                      |
| Gain (loss) on cash flow hedges arising during the period                                 | (69)                      | (36)                 | (258)                    | 241                  |
| Reclassification adjustment included in net income                                        | 5                         | 5                    | 52                       | (148)                |
| Income tax expense (benefit)                                                              | (16)                      | (8)                  | (57)                     | 56                   |
| Financial derivatives, net of tax                                                         | (48)                      | (23)                 | (149)                    | 37                   |
| Unrealized loss on available-for-sale securities:                                         |                           |                      |                          |                      |
| Unrealized holding loss arising during the period                                         | (3)                       | (1)                  | (9)                      | (1)                  |
| Income tax benefit                                                                        | (2)                       |                      | (2)                      |                      |
| Unrealized loss on available-for-sale securities, net of tax                              | (1)                       | (1)                  | (7)                      | (1)                  |
| Defined pension and other postretirement benefit plans:                                   |                           |                      |                          |                      |
| Reclassification adjustment for amortization of prior service cost included in net income | 1                         | 1                    | 1                        | 2                    |
| Reclassification adjustment for net actuarial loss included in net income                 | 8                         | 6                    | 23                       | 19                   |
| Defined pension and other postretirement benefit plans, before tax                        | 9                         | 7                    | 24                       | 21                   |
| Income tax expense                                                                        | 4                         | 2                    | 9                        | 6                    |
| Defined pension and other postretirement benefit plans, net of tax                        | 5                         | 5                    | 15                       | 15                   |
| Foreign currency translation adjustments:                                                 |                           |                      |                          |                      |
| Unrealized gain (loss) arising during the period                                          | 17                        | (55)                 | 73                       | (406)                |
| Reclassification adjustment included in net income                                        | 7                         |                      | 7                        |                      |
| Income tax benefit                                                                        |                           |                      | (7)                      |                      |
| Foreign currency translation adjustments, net of tax                                      | 24                        | (55)                 | 87                       | (406)                |
| Total other comprehensive loss                                                            | (20)                      | (74)                 | (54)                     | (355)                |
| Comprehensive income                                                                      | 933                       | 1,112                | 3,020                    | 3,324                |
| Comprehensive (income) loss attributable to non-controlling interests                     | (1)                       | (1)                  | (1)                      | 2                    |
| Comprehensive income attributable to the Company shareholders                             | \$ 932                    | \$ 1,111             | \$ 3,019                 | \$ 3,326             |

See Notes to the Consolidated Financial Statements.

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

| <b>Millions of dollars</b>                  | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---------------------------------------------|-------------------------------|------------------------------|
| <b>ASSETS</b>                               |                               |                              |
| Current assets:                             |                               |                              |
| Cash and cash equivalents                   | \$ 740                        | \$ 924                       |
| Restricted cash                             | 4                             | 7                            |
| Short-term investments                      | 1,090                         | 1,064                        |
| Accounts receivable:                        |                               |                              |
| Trade, net                                  | 2,702                         | 2,363                        |
| Related parties                             | 150                           | 154                          |
| Inventories                                 | 4,015                         | 4,051                        |
| Prepaid expenses and other current assets   | 852                           | 1,226                        |
| Total current assets                        | 9,553                         | 9,789                        |
| Property, plant and equipment at cost       | 14,563                        | 12,910                       |
| Less: Accumulated depreciation              | (4,506)                       | (3,919)                      |
| Property, plant and equipment, net          | 10,057                        | 8,991                        |
| Investments and long-term receivables:      |                               |                              |
| Investment in PO joint ventures             | 399                           | 397                          |
| Equity investments                          | 1,681                         | 1,608                        |
| Other investments and long-term receivables | 17                            | 122                          |
| Goodwill                                    | 543                           | 536                          |
| Intangible assets, net                      | 562                           | 640                          |
| Other assets                                | 607                           | 674                          |
| Total assets                                | \$ 23,419                     | \$ 22,757                    |

See Notes to the Consolidated Financial Statements.

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

| <b>Millions of dollars, except shares and par value data</b>                                                                   | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------------|
| <b>LIABILITIES AND EQUITY</b>                                                                                                  |                               |                              |
| Current liabilities:                                                                                                           |                               |                              |
| Current maturities of long-term debt                                                                                           | \$ 3                          | \$ 4                         |
| Short-term debt                                                                                                                | 621                           | 353                          |
| Accounts payable:                                                                                                              |                               |                              |
| Trade                                                                                                                          | 1,884                         | 1,627                        |
| Related parties                                                                                                                | 445                           | 555                          |
| Accrued liabilities                                                                                                            | 1,357                         | 1,810                        |
| Total current liabilities                                                                                                      | 4,310                         | 4,349                        |
| Long-term debt                                                                                                                 | 8,464                         | 7,671                        |
| Other liabilities                                                                                                              | 2,151                         | 2,036                        |
| Deferred income taxes                                                                                                          | 2,387                         | 2,127                        |
| Commitments and contingencies                                                                                                  |                               |                              |
| Stockholders' equity:                                                                                                          |                               |                              |
| Ordinary shares, 0.04 par value, 1,275 million shares authorized, 409,165,559 and 440,150,069 shares outstanding, respectively | 31                            | 31                           |
| Additional paid-in capital                                                                                                     | 10,195                        | 10,202                       |
| Retained earnings                                                                                                              | 11,865                        | 9,841                        |
| Accumulated other comprehensive loss                                                                                           | (1,492)                       | (1,438)                      |
| Treasury stock, at cost, 169,269,911 and 138,285,201 ordinary shares, respectively                                             | (14,517)                      | (12,086)                     |
| Total Company share of stockholders' equity                                                                                    | 6,082                         | 6,550                        |
| Non-controlling interests                                                                                                      | 25                            | 24                           |
| Total equity                                                                                                                   | 6,107                         | 6,574                        |
| Total liabilities and equity                                                                                                   | \$ 23,419                     | \$ 22,757                    |

See Notes to the Consolidated Financial Statements.

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

|                                                                                   | <b>Nine Months<br/>Ended<br/>September 30,</b> |                |
|-----------------------------------------------------------------------------------|------------------------------------------------|----------------|
| <b>Millions of dollars</b>                                                        | <b>2016</b>                                    | <b>2015</b>    |
| <b>Cash flows from operating activities:</b>                                      |                                                |                |
| Net income                                                                        | \$ 3,074                                       | \$ 3,679       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                                |                |
| Depreciation and amortization                                                     | 791                                            | 782            |
| Amortization of debt-related costs                                                | 12                                             | 12             |
| Inventory valuation adjustments                                                   |                                                | 264            |
| Equity investments                                                                |                                                |                |
| Equity income                                                                     | (289)                                          | (252)          |
| Distributions of earnings, net of tax                                             | 249                                            | 196            |
| Deferred income taxes                                                             | 307                                            | 9              |
| Gain on sales of business and equity method investment                            | (84)                                           |                |
| Gain on sale of assets                                                            | (5)                                            |                |
| Changes in assets and liabilities that provided (used) cash:                      |                                                |                |
| Accounts receivable                                                               | (323)                                          | 408            |
| Inventories                                                                       | 23                                             | (12)           |
| Accounts payable                                                                  | 74                                             | (501)          |
| Prepaid expenses and other current assets                                         | 165                                            | (98)           |
| Other, net                                                                        | (101)                                          | 195            |
| <b>Net cash provided by operating activities</b>                                  | <b>3,893</b>                                   | <b>4,682</b>   |
| <b>Cash flows from investing activities:</b>                                      |                                                |                |
| Expenditures for property, plant and equipment                                    | (1,676)                                        | (957)          |
| Payments for repurchase agreements                                                | (500)                                          | (397)          |
| Proceeds from repurchase agreements                                               | 603                                            | 300            |
| Purchases of available-for-sale securities                                        | (607)                                          | (1,723)        |
| Proceeds from sales and maturities of available-for-sale securities               | 665                                            | 1,638          |
| Purchases of held-to-maturity securities                                          | (76)                                           |                |
| Payment for acquisition of business and equity method investment                  | (65)                                           |                |
| Net proceeds from sales of business and equity method investment                  | 209                                            |                |
| Proceeds from settlement of net investment hedges                                 | 1,295                                          |                |
| Payments for settlement of net investment hedges                                  | (1,356)                                        |                |
| Change in restricted cash                                                         | 3                                              | 1              |
| Other, net                                                                        | (22)                                           | 35             |
| <b>Net cash used in investing activities</b>                                      | <b>(1,527)</b>                                 | <b>(1,103)</b> |

See Notes to the Consolidated Financial Statements.



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

|                                                         | <b>Nine Months<br/>Ended<br/>September 30,</b> |             |
|---------------------------------------------------------|------------------------------------------------|-------------|
| <b>Millions of dollars</b>                              | <b>2016</b>                                    | <b>2015</b> |
| <b>Cash flows from financing activities:</b>            |                                                |             |
| Repurchases of Company ordinary shares                  | (2,501)                                        | (3,436)     |
| Dividends paid                                          | (1,049)                                        | (1,063)     |
| Issuance of long-term debt                              | 812                                            | 984         |
| Net proceeds from commercial paper                      | 177                                            | 231         |
| Payments of debt issuance costs                         | (5)                                            | (13)        |
| Other, net                                              | (1)                                            | 191         |
| Net cash used in financing activities                   | (2,567)                                        | (3,106)     |
| Effect of exchange rate changes on cash                 | 17                                             | (30)        |
| <b>Increase (decrease) in cash and cash equivalents</b> | <b>(184)</b>                                   | <b>443</b>  |
| Cash and cash equivalents at beginning of period        | 924                                            | 1,031       |
| Cash and cash equivalents at end of period              | \$ 740                                         | \$ 1,474    |

See Notes to the Consolidated Financial Statements.

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

| <b>Millions of dollars</b>                | <b>Ordinary<br/>Shares</b> |                 | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Retained<br/>Earnings</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Loss</b> | <b>Company<br/>Share of<br/>Stockholder<br/>Equity</b> | <b>Non-<br/>Controlling<br/>Interests</b> |
|-------------------------------------------|----------------------------|-----------------|-------------------------------------------|------------------------------|---------------------------------------------------------|--------------------------------------------------------|-------------------------------------------|
|                                           | <b>Issued</b>              | <b>Treasury</b> |                                           |                              |                                                         |                                                        |                                           |
| Balance, December 31, 2015                | \$ 31                      | \$ (12,086)     | \$ 10,202                                 | \$ 9,841                     | \$ (1,438)                                              | \$ 6,550                                               | \$ 24                                     |
| Net income                                |                            |                 |                                           | 3,073                        |                                                         | 3,073                                                  | 1                                         |
| Other comprehensive loss                  |                            |                 |                                           |                              | (54)                                                    | (54)                                                   |                                           |
| Share-based compensation                  |                            | 46              | (7)                                       |                              |                                                         | 39                                                     |                                           |
| Dividends (\$2.48 per share)              |                            |                 |                                           | (1,049)                      |                                                         | (1,049)                                                |                                           |
| Repurchases of Company<br>ordinary shares |                            | (2,477)         |                                           |                              |                                                         | (2,477)                                                |                                           |
| Balance, September 30, 2016               | \$ 31                      | \$ (14,517)     | \$ 10,195                                 | \$ 11,865                    | \$ (1,492)                                              | \$ 6,082                                               | \$ 25                                     |

See Notes to the Consolidated Financial Statements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**LYONDELLBASELL INDUSTRIES N.V.**

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

**1. Basis of Presentation**

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

The accompanying Consolidated Financial Statements are unaudited and have been prepared from the books and records of LyondellBasell N.V. in accordance with the instructions to Form 10-Q and Rule 10-1 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States ( U.S. GAAP ) for complete financial statements. In our opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2015.

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

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

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

**Accounting Guidance Issued But Not Adopted as of September 30, 2016**

*Revenue Recognition* In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the current revenue recognition requirements in Accounting Standard Codification ( ASC ) 606, *Revenue Recognition*. Under this guidance, entities should recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive in exchange for those

goods or services. This ASU also requires enhanced disclosures. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the original effective date for one year to annual and interim periods beginning after December 15, 2017. Retrospective and modified retrospective application is allowed.

*Amendments to Revenue Recognition* In 2016 the FASB issued several amendments to *Topic 606, Revenue from Contracts with Customers*. ASU 2016-08, *Principal versus Agent Considerations*, contains amendments that clarify the implementation guidance on principal versus agent considerations. ASU 2016-10, *Identifying Performance*

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**LYONDELLBASELL INDUSTRIES N.V.**

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

*Obligations and Licensing* clarifies the guidance in the new revenue standard on identifying performance obligations and accounting for licenses of intellectual property. The FASB also issued ASU 2016-12, *Narrow-Scope Improvements and Practical Expedients*, which further clarifies the new revenue guidance primarily in the areas of collectability, noncash consideration, presentation of sales tax, and transition. All amendments are effective with the same date as ASU 2014-09. We are currently assessing the impact of *Topic 606* together with its amendments on our Consolidated Financial Statements.

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

*Inventories* In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. Under this new guidance, entities that measure inventory using any method other than last-in, first-out or the retail inventory method will be required to measure inventory at the lower of cost and net realizable value. The amendments in this ASU, which should be applied prospectively, are effective for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The application of this amendment is not expected to have a material impact on our Consolidated Financial Statements.

*Financial Instruments* In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The new guidance in this ASU includes a requirement for equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. Prospective application of this ASU is required for public entities for annual and interim periods beginning on or after December 15, 2017. We are currently assessing the impact of this new guidance on our Consolidated Financial Statements.

*Leases* In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, creating Topic 842 which supersedes the existing guidance for lease accounting in ASC 840, *Leases*. Under the new guidance, for leases with a term longer than 12 months a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Topic 842 retains a classification distinction between finance leases and operating leases, with the classification affecting the pattern of expense recognition in the income statement. This ASU also requires enhanced disclosures. A modified retrospective transition approach is required for annual and interim periods beginning on or after December 15, 2018. Early adoption is permitted. We are currently assessing the impact of this new guidance on our Consolidated Financial Statements.

*Derivatives and Hedging* In March 2016, the FASB issued ASU 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments*. The ASU clarifies that in assessing whether an embedded contingent put or call option is clearly and closely related to the debt host, an entity is required to apply only the four-step decision sequence as described in the amended guidance. The ASU is effective for public entities for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. We are currently assessing the impact of the amended guidance on our Consolidated Financial Statements.

*Investments* In March 2016, the FASB issued ASU 2016-07, *Investments Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*. This ASU simplifies the recognition

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and reporting requirements for investments that become qualified for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence. The amendments in this ASU are effective for all entities for annual and interim periods beginning after December 15, 2016. Prospective application is required to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Early adoption is permitted. The application of this amendment is not expected to have a material impact on our Consolidated Financial Statements.

*Compensation* In March 2016, the FASB issued ASU 2016-09, *Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This ASU simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this ASU are effective for public entities for annual and interim periods beginning after December 15, 2016. Various transition methods are prescribed depending on the aspect of accounting impacted by the amended guidance. Early adoption is permitted. We are currently assessing the impact of the amendments in this guidance on our Consolidated Financial Statements.

*Financial Instruments* In June 2016, the FASB issued ASU 2016-13, *Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This amendment requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected, resulting in the use of a current expected credit loss (CECL) model when measuring an impairment of financial instruments. Credit losses related to available-for-sale securities should be recorded in the consolidated income statement through an allowance for credit losses. Estimated credit losses utilizing the CECL model are based on reasonable use of historical experience, current conditions and forecasts that affect the collectability of reported financial assets. This ASU also modifies the impairment model for available-for-sale debt securities by eliminating the concept of other than temporary as well as providing a simplified accounting model for purchased financial assets with credit deterioration since their origination. The guidance will be effective for public entities for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. We are currently assessing the impact of the amendments in this guidance on our Consolidated Financial Statements.

*Statement of Cash Flows* In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The updated accounting requirement is intended to reduce diversity in practice in the classification of certain transactions in the statement of cash flows. Such transactions include but are not limited to debt prepayment or debt extinguishment costs, settlement of zero coupon debt instruments, contingent consideration payments made after a business combination and distributions received from equity method of investments. The amendments in this ASU are effective for public entities for annual and interim periods beginning after December 15, 2018. A retrospective transition approach is required and early adoption is permitted. We are currently assessing the impact of this new guidance on our Consolidated Financial Statements.

**3. Discontinued Operations**

In May 2016, we received a notice pertaining to the final closure of our Berre refinery from the Prefect of Bouches du Rhone. This notice outlines the requirements to dismantle the refinery facilities. At this time, the estimated cost and

associated cash flows to fulfill these requirements are not deemed to be material.

#### **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 \$24 million at September 30, 2016 and December 31, 2015, respectively.

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Inventories consisted of the following components:

| <b>Millions of dollars</b> | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|----------------------------|-------------------------------|------------------------------|
| Finished goods             | \$ 2,725                      | \$ 2,668                     |
| Work-in-process            | 166                           | 148                          |
| Raw materials and supplies | 1,124                         | 1,235                        |
| <br>Total inventories      | <br>\$ 4,015                  | <br>\$ 4,051                 |

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

**6. Debt**

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

| <b>Millions of dollars</b>                                                                                        | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|-------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------------|
| Senior Notes due 2019, \$2,000 million, 5.0% (\$11 million of debt issuance cost)                                 | \$ 1,936                      | \$ 1,943                     |
| Senior Notes due 2021, \$1,000 million, 6.0% (\$9 million of debt issuance cost)                                  | 991                           | 989                          |
| Senior Notes due 2024, \$1,000 million, 5.75% (\$9 million of debt issuance cost)                                 | 991                           | 990                          |
| Senior Notes due 2055, \$1,000 million, 4.625% (\$16 million of discount; \$12 million of debt issuance cost)     | 972                           | 972                          |
| Guaranteed Notes due 2044, \$1,000 million, 4.875% (\$11 million of discount; \$10 million of debt issuance cost) | 979                           | 979                          |
| Guaranteed Notes due 2043, \$750 million, 5.25% (\$22 million of discount; \$7 million of debt issuance cost)     | 721                           | 721                          |
| Guaranteed Notes due 2023, \$750 million, 4.0% (\$7 million of discount; \$4 million of debt issuance cost)       | 739                           | 737                          |
| Guaranteed Notes due 2027, \$300 million, 8.1%                                                                    | 300                           | 300                          |
| Guaranteed Notes due 2022, 750 million, 1.875% (\$3 million of discount; \$4 million of debt issuance cost)       | 830                           |                              |

|                         |          |          |
|-------------------------|----------|----------|
| Other                   | 8        | 44       |
| Total                   | 8,467    | 7,675    |
| Less current maturities | (3)      | (4)      |
| Long-term debt          | \$ 8,464 | \$ 7,671 |

Our 5% senior notes due 2019 include gains of \$26 million and \$11 million for the three and nine months ended September 30, 2016, respectively, losses of \$14 million and \$1 million for the three and nine months ended September 30, 2015, respectively, and gains of \$35 million for the year ended December 31, 2015 related to adjustments for our fixed-for-floating interest rate swaps, which are recognized in Interest expense in the Consolidated Statements of Income. Since inception in 2014, we have recognized net gains of \$53 million related to adjustments for these fixed-for-floating interest rate swaps.

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

| <b>Millions of dollars</b>                               | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|----------------------------------------------------------|-------------------------------|------------------------------|
| \$2,500 million Senior Revolving Credit Facility         | \$                            | \$                           |
| \$900 million U.S. Receivables Securitization Facility   |                               |                              |
| 450 million European Receivables Securitization Facility |                               |                              |
| Commercial paper                                         | 500                           | 323                          |
| Financial payables to equity investees                   | 3                             | 4                            |
| Precious metal financings                                | 117                           | 26                           |
| Other                                                    | 1                             |                              |
| <b>Total short-term debt</b>                             | <b>\$ 621</b>                 | <b>\$ 353</b>                |

*Long-Term Debt*

*Guaranteed Notes due 2022* In March 2016, LYB International Finance II B.V. ( LYB Finance II ), a direct, 100% owned finance subsidiary of LyondellBasell Industries N.V., as defined in Rule 3-10(b) of Regulation S-X, issued 750 million of 1.875% guaranteed notes due 2022 at a discounted price of 99.607%.

These unsecured notes, which are fully and unconditionally guaranteed by LyondellBasell Industries N.V., rank equally in right of payment to all of LYB Finance II's existing and future unsecured indebtedness and to all of LyondellBasell N.V.'s existing and future unsubordinated indebtedness. There are no significant restrictions that would impede LyondellBasell N.V., as guarantor, from obtaining funds by dividend or loan from its subsidiaries.

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

The notes may be redeemed before the date that is three months prior to the scheduled maturity date at a redemption price equal to the greater of 100% of the principal amount of the notes redeemed and the sum of the present values of the remaining scheduled payments of principal and interest (discounted at the applicable Comparable Government Bond Rate plus 35 basis points) on the notes to be redeemed. The notes may also be redeemed on or after the date that is three months prior to the scheduled maturity date of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest. The notes are also redeemable upon certain tax events.

*Short-Term Debt*

*Senior Revolving Credit Facility* In June 2016, the term of our revolving credit facility was extended for one year to June 2021 pursuant to a consent agreement. We also amended the revolving credit facility in June 2016 to increase its size to \$2,500 million. All other material terms of the revolving credit facility remained unchanged.

The revolving credit facility may be used for dollar and euro denominated borrowings, has a \$500 million sublimit for dollar and euro denominated letters of credit, a \$1,000 million uncommitted accordion feature, and supports our commercial paper program. The aggregate balance of outstanding borrowings and letters of credit under this facility may not exceed \$2,500 million at any given time. Borrowings under the facility bear interest at a Base Rate or LIBOR, plus an applicable margin. Additional fees are incurred for the average daily unused commitments.

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**LYONDELLBASELL INDUSTRIES N.V.**

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

The facility contains customary covenants and warranties, including specified restrictions on indebtedness and liens. In addition, we are required to maintain a leverage ratio at the end of every quarter of 3.50 to 1.00 or less for the period covering the most recent four quarters. We are in compliance with these covenants as of September 30, 2016. At September 30, 2016, we had \$500 million of outstanding commercial paper, no outstanding letters of credit and no outstanding borrowings under this facility.

*Commercial Paper Program* In June 2016, in connection with the increase of our revolving credit facility, we increased the size of our commercial paper program to \$2,500 million. We may issue up to \$2,500 million of privately placed, unsecured, short-term promissory notes ( commercial paper ) under this program, which is backed by our \$2,500 million Senior Revolving Credit Facility. Proceeds from the issuance of commercial paper may be used for general corporate purposes, including dividends and share repurchases.

*U.S. Receivables Securitization Facility* Our \$900 million U.S. accounts receivable securitization facility, which expires in 2018, has a purchase limit of \$900 million in addition to a \$300 million uncommitted accordion feature. This facility provides liquidity through the sale or contribution of trade receivables by certain of our U.S. subsidiaries to a wholly owned, bankruptcy-remote subsidiary on an ongoing basis and without recourse. The bankruptcy-remote subsidiary may then, at its option and subject to a borrowing base of eligible receivables, sell undivided interests in the pool of trade receivables to financial institutions participating in the facility. In the event of liquidation, the bankruptcy-remote subsidiary's assets will be used to satisfy the claims of its creditors prior to any assets or value in the bankruptcy-remote subsidiary becoming available to us. We are responsible for servicing the receivables. This facility also provides for the issuance of letters of credit up to \$200 million. The term of the securitization facility may be extended in accordance with the terms of the agreement. At September 30, 2016, there were no borrowings or letters of credit outstanding under the facility.

*European Receivables Securitization Facility* Our 450 million European receivables securitization facility expired in April 2016.

*Other* At September 30, 2016 and December 31, 2015, our weighted average interest rate on outstanding short-term debt was 0.7%.

*Debt Discount and Issuance Costs*

In each of the nine months ended September 30, 2016 and 2015, amortization of debt discounts and debt issuance costs resulted in amortization expense of \$12 million, which is included in Interest expense in the Consolidated Statements of Income.

**7. Financial Instruments**

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

*Market Risks* We are exposed to market risks, such as changes in commodity pricing, currency exchange rates and interest rates. To manage the volatility related to these exposures, we selectively enter into derivative transactions pursuant to our risk management policies. Derivative instruments are recorded at fair value on the balance sheet. Gains and losses related to changes in the fair value of derivative instruments not designated as hedges are recorded in earnings. For derivatives that have been designated as fair value hedges, the gains and losses of the derivatives and hedged instruments are recorded in earnings. For derivatives designated as cash flow and net investment hedges, the effective portion of the gains and losses is recorded in Other comprehensive income (loss). The ineffective portion of cash flow and net investment hedges is recorded in earnings.

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**LYONDELLBASELL INDUSTRIES N.V.**

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

*Marketable Securities* We invest cash in investment-grade securities for periods generally not exceeding two years. Investments in securities with original maturities of three months or less are classified as Cash and cash equivalents. At September 30, 2016 and December 31, 2015, we had marketable securities classified as Cash and cash equivalents of \$249 million and \$575 million, respectively.

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

*Repurchase Agreements* We invest in tri-party repurchase agreements. Under these agreements, we make cash purchases of securities according to a pre-agreed profile from our counterparties. The counterparties have an obligation to repurchase, and we have an obligation to sell, the same or substantially the same securities at a pre-defined date for a price equal to the purchase price plus interest. These securities, which pursuant to our internal policies, are held by a third-party custodian and must generally have a minimum collateral value of 102%, secure the counterparty's obligation to repurchase the securities. Depending upon maturity, these tri-party repurchase agreements are treated as short-term loans receivable and are reflected in Prepaid expenses and other current assets or as long-term loans receivable reflected in Other investments and long-term receivables on our Consolidated Balance Sheets. The balance of our investment at September 30, 2016 and December 31, 2015 was \$296 million and \$387 million, respectively.

*Commodity Prices* We are exposed to commodity price volatility related to anticipated purchases of natural gas liquids, crude oil and other raw materials and sales of our products. We selectively use over-the counter commodity swaps, options and exchange traded futures contracts with various terms to manage the volatility related to these risks. In addition, we are exposed to volatility on the prices of precious metals to the extent that we have obligations, classified as embedded derivatives, tied to the price of precious metals associated with secured borrowings. All aforementioned contracts are generally limited to durations of one year or less. At September 30, 2016, commodity futures contracts in the notional amount of \$119 million, maturing from October 2016 to January 2017, were outstanding.

*Foreign Currency Rates* We have significant worldwide operations. The functional currencies of our consolidated subsidiaries through which we operate are primarily the U.S. dollar and the euro. We enter into transactions denominated in currencies other than our designated functional currencies. As a result, we are exposed to foreign currency risk on receivables and payables. We maintain risk management control policies intended to monitor foreign currency risk attributable to our outstanding foreign currency balances. These control policies involve the centralization of foreign currency exposure management, the offsetting of exposures and the estimating of expected impacts of changes in foreign currency rates on our earnings. We enter into foreign currency forward contracts to reduce the effects of our net currency exchange exposures. At September 30, 2016, foreign currency forward contracts in the notional amount of \$281 million, maturing from October 2016 through December 2016, were outstanding.

For forward contracts that economically hedge recognized monetary assets and liabilities in foreign currencies and that are not designated as net investment hedges, no hedge accounting is applied. Changes in the fair value of foreign currency forward contracts, which are reported in the Consolidated Statements of Income, are offset in part by the currency translation results recognized on the assets and liabilities.

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

*Foreign Currency Gain (Loss)* Other income, net, in the Consolidated Statements of Income reflected a gain of \$1 million and a loss of \$5 million for the three and nine months ended September 30, 2016, and gains of \$3 million and \$7 million for the three and nine months ended September 30, 2015, respectively.

*Basis Swaps* In 2015, we entered into 850 million of cross-currency floating-to-floating interest rate swaps (basis swaps) to reduce the volatility in stockholders' equity resulting from changes in currency exchange rates of our foreign subsidiaries with respect to the U.S. dollar. Under the terms of these contracts, which have been designated as net investment hedges, we will make interest payments in euros at 3 Month EURIBOR plus basis and will receive interest in U.S. dollars at 3 Month LIBOR. Upon the maturities of these contracts, we will pay the principal amount in euros and receive U.S. dollars from our counterparties.

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

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

In September 2016, 450 million of our basis swaps expired. Upon settlement of these basis swap contracts, which had a notional value of \$500 million, we paid 450 million (\$506 million at the expiry spot rate) to our counterparties and received \$500 million from our counterparties. The \$6 million loss is reflected in foreign currency translation adjustments in Accumulated other comprehensive loss. Cash flows from the settlement of these basis swap contracts are reported in Cash flows from investing activities in the Consolidated Statements of Cash Flows.

There was no ineffectiveness recorded during the three and nine months ended September 30, 2016 and 2015 related to these basis swaps.

The following table summarizes the notional and fair value of our basis swaps outstanding:

| Millions of dollars          | September 30, 2016 |                           | December 31, 2015 |                      |
|------------------------------|--------------------|---------------------------|-------------------|----------------------|
|                              | Notional Value     | Fair Value<br>Liabilities | Notional Value    | Fair Value<br>Assets |
| Basis swaps expiring in 2016 | \$                 | \$                        | \$ 500            | \$ 10                |
| Basis swaps expiring in 2017 | 305                | (2)                       | 305               | 6                    |
| Basis swaps expiring in 2018 | 139                | (1)                       | 139               | 2                    |

*Forward Exchange Contracts* In 2015, we entered into forward exchange contracts with an aggregate notional value of 750 million (\$795 million) to mitigate the risk associated with the fluctuations in the Euro to U.S. dollar exchange rate related to our investments in foreign subsidiaries.

These forward exchange contracts, which were designated as net investment hedges, expired on March 31, 2016. Upon settlement of these contracts, we paid 750 million (\$850 million at the expiry spot rate) to our counterparties and received \$795 million from our counterparties. The \$55 million difference, which includes a \$30 million loss in the first quarter of 2016, is reflected within foreign currency translation adjustments in Accumulated other comprehensive loss. Cash flows from these forward exchange contracts are reported in Cash flows from investing activities in the Consolidated Statement of Cash Flows.

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**LYONDELLBASELL INDUSTRIES N.V.**

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

There was no ineffectiveness recorded for this hedging relationship during the three months ended March 31, 2016.

*Guaranteed Euro Notes Due 2022* In March 2016, we issued euro denominated notes payable due 2022 ( Euro notes ) with notional amounts totaling 750 million. To mitigate the risk to our investments in foreign subsidiaries associated with fluctuations in the euro to U.S. dollar exchange rate, we designated these Euro notes as a net investment hedge.

We use the critical terms match to assess both prospective and retrospective hedge effectiveness by comparing the spot rate change in the Euro notes and the spot rate change in the designated net investment. We use the hypothetical derivative method to measure hedge ineffectiveness.

The effective portion of the gain or loss is recorded within foreign currency translation adjustments in Accumulated other comprehensive loss and will be reclassified to earnings only when realized upon the sale of or the complete or substantially complete liquidation of the investment in the foreign entity. In periods where the hedging relationship is deemed ineffective, changes in remeasurement of the Euro notes due to changes in the spot exchange rate will be recorded directly to Other income, net in the Consolidated Statements of Income. Cash flows related to our Euro notes are reported in Cash flows from financing activities and related interest payments are reported in Cash flows from operating activities in the Consolidated Statement of Cash Flows.

There was no ineffectiveness recorded for this hedging relationship in the three and nine months ended September 30, 2016.

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

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

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

There was no ineffectiveness recorded during the three and nine months ended September 30, 2016 and the year ended December 31, 2015.



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The following table summarizes our cross-currency swaps outstanding:

| Millions of dollars, except expiration date and rates | Expiration Date | Average Interest Rate | September 30, 2016 |            | December 31, 2015 |            |
|-------------------------------------------------------|-----------------|-----------------------|--------------------|------------|-------------------|------------|
|                                                       |                 |                       | Notional Value     | Fair Value | Notional Value    | Fair Value |
| Pay Euro                                              | 2021            | 4.55%                 | \$ 1,000           | \$ 117     | \$ 1,000          | \$ 141     |
| Receive U.S. dollars                                  |                 | 6.00%                 |                    |            |                   |            |
| Pay Euro                                              | 2024            | 4.37%                 | 1,000              | 113        | 1,000             | 145        |
| Receive U.S. dollars                                  |                 | 5.75%                 |                    |            |                   |            |
| Pay Euro                                              | 2027            | 3.69%                 | 300                | (5)        | 300               | 14         |
| Receive U.S. dollars                                  |                 | 5.49%                 |                    |            |                   |            |

*Forward-Starting Interest Rate Swaps* In March 2015, we entered into forward-starting interest rate swaps to mitigate the risk of adverse changes in the benchmark interest rates on the anticipated refinancing of our senior notes due 2019. These interest rate swaps will be terminated upon debt issuance. The total notional amount of these forward-starting interest rate swaps was \$1,000 million at September 30, 2016. The ineffectiveness recorded for this hedging relationship were losses of less than \$1 million and \$1 million during the three and nine months ended September 30, 2016, respectively, and losses of less than \$1 million during each of the three and nine months ended September 30, 2015.

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

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

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

There was no settlement of our forward-starting swap agreements during the three and nine months ended September 30, 2016. We recognized a gain of \$15 million in Accumulated other comprehensive loss related to the settlement of our forward-starting interest rate swap agreements in 2015. The related deferred gains and losses recognized in Accumulated other comprehensive loss are amortized to interest expense over the original term of the related swaps using the effective interest method.

As of September 30, 2016, less than \$1 million (on a pretax basis) is scheduled to be reclassified as an increase to interest expense over the next twelve months.

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

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

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

Changes in the fair value of the derivatives and changes in the value of the hedged items based on changes in the benchmark interest rate are recorded as Interest expense in our Consolidated Statements of Income. We evaluate the effectiveness of the hedging relationship periodically and calculate the changes in the fair value of the derivatives and the underlying hedged items separately. We recognized a net loss of \$8 million and a net gain of \$26 million for the three and nine months ended September 30, 2016, respectively, and net gains of \$10 million and \$32 million for the three and nine months ended September 30, 2015, respectively, related to the ineffectiveness of our hedging relationships.

At September 30, 2016, we had outstanding interest rate swap agreements with notional amounts of \$2,000 million, maturing on April 15, 2019.

*Investments in marketable securities* Our investments in marketable securities are reflected in the following table.

| Millions of dollars                          | September 30,<br>2016 | December 31,<br>2015 |
|----------------------------------------------|-----------------------|----------------------|
| Short-term investments:                      |                       |                      |
| Available-for-sale securities, at fair value | \$ 1,014              | \$ 1,064             |
| Held-to-maturity securities, at cost         | 76                    |                      |
| Total                                        | \$ 1,090              | \$ 1,064             |

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

The following table summarizes the amortized cost, gross unrealized gains and losses, and fair value of our available-for-sale and held-to maturity securities that are outstanding as of September 30, 2016 and December 31, 2015. Refer to Note 8 for additional information regarding the fair value of available-for-sale and held-to maturity securities.

|                                     |          | September 30, 2016 |            |          |
|-------------------------------------|----------|--------------------|------------|----------|
|                                     |          | Gross              | Gross      |          |
|                                     |          | Unrealized         | Unrealized | Fair     |
| Millions of dollars                 | Cost     | Gains              | Losses     | Value    |
| Available-for-sale securities:      |          |                    |            |          |
| Commercial paper                    | \$ 246   | \$                 | \$         | \$ 246   |
| Bonds                               | 73       |                    |            | 73       |
| Certificates of deposit             | 359      | 1                  |            | 360      |
| Limited partnership investments     | 350      |                    | (15)       | 335      |
| Total available-for-sale securities | \$ 1,028 | \$ 1               | \$ (15)    | \$ 1,014 |
| Held-to-maturity securities:        |          |                    |            |          |
| Time deposits                       | \$ 76    | \$                 | \$         | \$ 76    |

|                                     |          | December 31, 2015 |            |          |
|-------------------------------------|----------|-------------------|------------|----------|
|                                     |          | Gross             | Gross      | Fair     |
| Millions of dollars                 | Cost     | Unrealized        | Unrealized | Value    |
|                                     |          | Gains             | Losses     |          |
| Available-for-sale securities:      |          |                   |            |          |
| Commercial paper                    | \$ 329   | \$                | \$         | \$ 329   |
| Bonds                               | 175      |                   |            | 175      |
| Certificates of deposit             | 215      |                   |            | 215      |
| Limited partnership investments     | 350      |                   | (5)        | 345      |
| Total available-for-sale securities | \$ 1,069 | \$                | \$ (5)     | \$ 1,064 |

Our limited partnership investments include investments in, among other things, equities and equity related securities, debt securities, credit instruments, global interest rate products, currencies, commodities, futures, options, warrants and swaps. These investments, which include both long and short positions, may be redeemed at least monthly with advance notice ranging up to ninety days. The fair value of these funds is estimated using the net asset value (NAV) per share of the respective pooled fund investment.

No losses related to other-than-temporary impairments of our available-for-sale and held-to-maturity investments have been recorded in Accumulated other comprehensive loss during the three and nine months ended September 30, 2016 and the year ended December 31, 2015.

As of September 30, 2016, our available-for-sale securities had the following maturities: commercial paper securities held by the Company had maturities between four and nine months; bonds had maturities between two and twenty eight months; certificates of deposit mature between four and eighteen months; and limited partnership investments mature between one and three months. Our time deposits classified as held-to-maturity securities had maturities between six and nine months.

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

The proceeds from maturities and sales of our available-for-sale securities during the three and nine months ended September 30, 2016 and 2015 are summarized in the following table.

| <b>Millions of dollars</b>             | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|----------------------------------------|---------------------------------------------|-------------|--------------------------------------------|-------------|
|                                        | <b>2016</b>                                 | <b>2015</b> | <b>2016</b>                                | <b>2015</b> |
| Proceeds from maturities of securities | \$ 8                                        | \$ 622      | \$ 665                                     | \$ 1,437    |
| Proceeds from sales of securities      |                                             | 19          |                                            | 201         |

No gain or loss was realized in connection with the sales of our available-for-sale securities during the three and nine months ended September 30, 2016. We recognized realized gains of less than \$1 million in connection with the sale of these securities during both the three and nine months ended September 30, 2015.

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

During the three months ended September 30, 2016, we had no sales or maturities of our held-to-maturity securities; and we had no transfers of investments classified as held-to-maturity to available-for-sale.

The following table summarizes the fair value and unrealized losses related to available-for-sale and held-to-maturity securities that were in a continuous unrealized loss position for less than and greater than twelve months as of September 30, 2016 and December 31, 2015.

| <b>Millions of dollars</b>          | <b>September 30, 2016</b>                     |                            |                                                  |                            |
|-------------------------------------|-----------------------------------------------|----------------------------|--------------------------------------------------|----------------------------|
|                                     | <b>Less than 12 months<br/>Fair<br/>Value</b> | <b>Unrealized<br/>Loss</b> | <b>Greater than 12 months<br/>Fair<br/>Value</b> | <b>Unrealized<br/>Loss</b> |
| Available-for-sale securities:      |                                               |                            |                                                  |                            |
| Bonds                               | \$ 6                                          | \$                         | \$                                               | \$                         |
| Limited partnership investments     | 335                                           | (15)                       |                                                  |                            |
| Total available-for-sale securities | \$ 341                                        | \$ (15)                    | \$                                               | \$                         |

| <b>Millions of dollars</b> | <b>December 31, 2015</b>                      |                            |                                                      |                            |
|----------------------------|-----------------------------------------------|----------------------------|------------------------------------------------------|----------------------------|
|                            | <b>Less than 12 months<br/>Fair<br/>Value</b> | <b>Unrealized<br/>Loss</b> | <b>Greater than 12<br/>months<br/>Fair<br/>Value</b> | <b>Unrealized<br/>Loss</b> |

|                                     |        |        |       |    |
|-------------------------------------|--------|--------|-------|----|
| Available-for-sale securities:      |        |        |       |    |
| Bonds                               | \$ 46  | \$     | \$ 35 | \$ |
| Certificates of deposit             | 150    |        |       |    |
| Limited partnership investments     | 345    | (5)    |       |    |
| Total available-for-sale securities | \$ 541 | \$ (5) | \$ 35 | \$ |

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

*Financial Instruments* The following table summarizes financial instruments outstanding as of September 30, 2016 and December 31, 2015 that are measured at fair value on a recurring basis. Refer to Note 8 for additional information regarding the fair value of financial instruments.

|                                                  |                                           | September 30, 2016 |            | December 31, 2015 |            |
|--------------------------------------------------|-------------------------------------------|--------------------|------------|-------------------|------------|
|                                                  | Balance Sheet                             |                    |            |                   |            |
| Millions of dollars                              | Classification                            | Notional Amount    | Fair Value | Notional Amount   | Fair Value |
| Assets                                           |                                           |                    |            |                   |            |
| Derivatives designated as net investment hedges: |                                           |                    |            |                   |            |
| Basis swaps                                      | Prepaid expenses and other current assets | \$                 | \$         | \$ 500            | \$ 10      |
| Basis swaps                                      | Other assets                              |                    |            | 444               | 8          |
| Derivatives designated as cash flow hedges:      |                                           |                    |            |                   |            |
| Cross-currency swaps                             | Other assets                              | 2,000              | 213        | 2,300             | 291        |
| Cross-currency swaps                             | Prepaid expenses and other current assets |                    | 17         |                   | 9          |
| Forward-starting interest rate swaps             | Other assets                              |                    |            | 600               | 8          |
| Derivatives designated as fair value hedges:     |                                           |                    |            |                   |            |
| Fixed-for-floating interest rate swaps           | Other assets                              | 2,000              | 35         | 2,000             | 19         |
| Fixed-for-floating interest rate swaps           | Prepaid expenses and other current assets |                    | 10         |                   | 6          |
| Derivatives not designated as hedges:            |                                           |                    |            |                   |            |
| Commodities                                      | Prepaid expenses and other current assets | 79                 | 3          | 73                | 8          |
| Embedded derivatives                             | Prepaid expenses and other current assets | 14                 |            | 42                | 4          |
| Foreign currency                                 | Prepaid expenses and other current assets | 248                | 1          | 105               | 1          |
| Non-derivatives:                                 |                                           |                    |            |                   |            |
| Available-for-sale securities                    | Short-term investments                    | 1,026              | 1,014      | 1,073             | 1,064      |
|                                                  |                                           | \$ 5,367           | \$ 1,293   | \$ 7,137          | \$ 1,428   |



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

|                                                  | Balance Sheet       | September 30, 2016 |            | December 31, 2015 |            |
|--------------------------------------------------|---------------------|--------------------|------------|-------------------|------------|
| Millions of dollars                              | Classification      | Notional Amount    | Fair Value | Notional Amount   | Fair Value |
| Liabilities                                      |                     |                    |            |                   |            |
| Derivatives designated as net investment hedges: |                     |                    |            |                   |            |
| Basis swaps                                      | Accrued liabilities | \$ 305             | \$ 2       | \$                | \$         |
|                                                  | Other liabilities   | 139                | 1          |                   |            |
| Forward exchange contracts                       | Accrued liabilities |                    |            | 795               | 24         |
| Derivatives designated as cash flow hedges:      |                     |                    |            |                   |            |
| Cross-currency swaps                             | Other liabilities   | 300                | 5          |                   |            |
| Forward-starting interest rate swaps             | Other liabilities   | 1,000              | 174        | 400               | 6          |
| Derivatives not designated as hedges:            |                     |                    |            |                   |            |
| Commodities                                      | Accrued liabilities | 40                 | 2          | 67                | 2          |
| Embedded derivatives                             | Accrued liabilities | 104                | 27         | 21                |            |
| Foreign currency                                 | Accrued liabilities | 33                 |            | 75                | 3          |
| Non-derivatives:                                 |                     |                    |            |                   |            |
| Performance share awards                         | Accrued liabilities | 17                 | 17         | 23                | 23         |
| Performance share awards                         | Other liabilities   | 17                 | 17         | 17                | 17         |
|                                                  |                     | \$ 1,955           | \$ 245     | \$ 1,398          | \$ 75      |

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.

|                                                         | Effect of Financial Instruments<br>Three Months Ended September 30, 2016 |                                              |                                                         |  |                                       |
|---------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------------------|--|---------------------------------------|
|                                                         | Gain<br>(Loss)                                                           | Reclassified<br>from<br>AOCI<br>to<br>Income | Additional<br>Gain (Loss)<br>Recognized<br>in<br>Income |  | Income Statement<br>Classification    |
| Millions of dollars                                     | Gain (Loss)<br>Recognized<br>in<br>AOCI                                  |                                              |                                                         |  |                                       |
| Derivatives designated as net investment hedges:        |                                                                          |                                              |                                                         |  |                                       |
| Basis swaps                                             | \$ (4)                                                                   | \$                                           | \$                                                      |  | Other income, net                     |
| Derivatives designated as cash-flow hedges:             |                                                                          |                                              |                                                         |  |                                       |
| Cross-currency swaps                                    | (48)                                                                     | 5                                            |                                                         |  | Other income, net                     |
| Forward-starting interest rate swaps                    | (21)                                                                     |                                              |                                                         |  | Interest expense                      |
| Derivatives designated as fair value hedges:            |                                                                          |                                              |                                                         |  |                                       |
| Fixed-for-floating interest rate swaps                  |                                                                          |                                              | (12)                                                    |  | Interest expense                      |
| Derivatives not designated as hedges:                   |                                                                          |                                              |                                                         |  |                                       |
| Commodities                                             |                                                                          |                                              | (4)                                                     |  | Sales and other<br>operating revenues |
| Commodities                                             |                                                                          |                                              | 4                                                       |  | Cost of sales                         |
| Embedded derivatives                                    |                                                                          |                                              | (9)                                                     |  | Cost of sales                         |
| Foreign currency                                        |                                                                          |                                              | 1                                                       |  | Other income, net                     |
| Non-derivatives designated as net investment<br>hedges: |                                                                          |                                              |                                                         |  |                                       |
| Euro notes payable                                      | (2)                                                                      |                                              |                                                         |  | Other income, net                     |
|                                                         | \$ (75)                                                                  | \$ 5                                         | \$ (20)                                                 |  |                                       |

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

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

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

| <b>Effect of Financial Instruments</b><br><b>Nine Months Ended September 30, 2016</b> |             |              |             |                                    |
|---------------------------------------------------------------------------------------|-------------|--------------|-------------|------------------------------------|
|                                                                                       | Gain (Loss) | Reclassified | Additional  | Income Statement                   |
|                                                                                       | Recognized  | from         | Gain (Loss) |                                    |
| Millions of dollars                                                                   | in          | AOCI         | Recognized  | Classification                     |
|                                                                                       | AOCI        | to           | in          |                                    |
|                                                                                       |             | Income       | Income      |                                    |
| Derivatives designated as net investment hedges:                                      |             |              |             |                                    |
| Basis swaps                                                                           | \$ (21)     | \$           | \$          | Other income, net                  |
| Forward exchange contracts                                                            | (30)        |              |             | Other income, net                  |
| Derivatives designated as cash-flow hedges:                                           |             |              |             |                                    |
| Cross-currency swaps                                                                  | (83)        | 52           |             | Other income, net                  |
| Forward-starting interest rate swaps                                                  | (175)       |              | (1)         | Interest expense                   |
| Derivatives designated as fair value hedges:                                          |             |              |             |                                    |
| Fixed-for-floating interest rate swaps                                                |             |              | 32          | Interest expense                   |
| Derivatives not designated as hedges:                                                 |             |              |             |                                    |
| Commodities                                                                           |             |              |             |                                    |
|                                                                                       |             |              | 6           | Sales and other operating revenues |
| Commodities                                                                           |             |              | 2           | Cost of sales                      |
| Embedded derivatives                                                                  |             |              | (29)        | Cost of sales                      |
| Foreign currency                                                                      |             |              | 13          | Other income, net                  |
| Non-derivatives designated as net investment hedges:                                  |             |              |             |                                    |
| Euro notes payable                                                                    | 12          |              |             | Other income, net                  |
|                                                                                       | \$ (297)    | \$ 52        | \$ 23       |                                    |

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

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

The pretax effect of the gains (losses) recognized in income for our fixed-for-floating interest rate swaps includes the net value of interest accrued during the three and nine months ended September 30, 2016 of \$6 million and \$17 million, respectively and during the three and nine months ended September 30, 2015 of \$7 million and \$22 million, respectively.

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

The following table presents the financial instruments outstanding as of September 30, 2016 and December 31, 2015 that are measured at fair value on a recurring basis.

|                                                            |            | September 30, 2016 |         |         |  |
|------------------------------------------------------------|------------|--------------------|---------|---------|--|
| Millions of dollars                                        | Fair Value | Level 1            | Level 2 | Level 3 |  |
| <b>Assets</b>                                              |            |                    |         |         |  |
| Derivatives:                                               |            |                    |         |         |  |
| Cross-currency swaps                                       | 230        |                    | 230     |         |  |
| Fixed-for-floating interest rate swaps                     | 45         |                    | 45      |         |  |
| Commodities                                                | 3          | 3                  |         |         |  |
| Foreign currency                                           | 1          |                    | 1       |         |  |
| Non-derivatives:                                           |            |                    |         |         |  |
| Available-for-sale securities                              | 679        |                    | 679     |         |  |
| Available-for-sale securities measured at net asset value* | 335        |                    |         |         |  |
|                                                            | \$ 1,293   | \$ 3               | \$ 955  | \$      |  |
| <b>Liabilities</b>                                         |            |                    |         |         |  |
| Derivatives:                                               |            |                    |         |         |  |
| Basis swaps                                                | \$ 3       | \$                 | \$ 3    | \$      |  |
| Cross-currency swaps                                       | 5          |                    | 5       |         |  |
| Forward-starting interest rate swaps                       | 174        |                    | 174     |         |  |
| Commodities                                                | 2          | 2                  |         |         |  |
| Embedded derivatives                                       | 27         |                    | 27      |         |  |
| Non-derivatives:                                           |            |                    |         |         |  |
| Performance share awards                                   | 34         | 34                 |         |         |  |
|                                                            | \$ 245     | \$ 36              | \$ 209  | \$      |  |

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

| Millions of dollars                                        | Fair Value | December 31, 2015 |          |         |
|------------------------------------------------------------|------------|-------------------|----------|---------|
|                                                            |            | Level 1           | Level 2  | Level 3 |
| Assets                                                     |            |                   |          |         |
| Derivatives:                                               |            |                   |          |         |
| Basis swaps                                                | \$ 18      | \$                | \$ 18    | \$      |
| Cross-currency swaps                                       | 300        |                   | 300      |         |
| Forward-starting interest rate swaps                       | 8          |                   | 8        |         |
| Fixed-for-floating interest rate swaps                     | 25         |                   | 25       |         |
| Commodities                                                | 8          | 8                 |          |         |
| Embedded derivatives                                       | 4          |                   | 4        |         |
| Foreign currency                                           | 1          |                   | 1        |         |
| Non-derivatives:                                           |            |                   |          |         |
| Available-for-sale securities                              | 719        |                   | 719      |         |
| Available-for-sale securities measured at net asset value* | 345        |                   |          |         |
|                                                            | \$ 1,428   | \$ 8              | \$ 1,075 | \$      |
| Liabilities                                                |            |                   |          |         |
| Derivatives:                                               |            |                   |          |         |
| Forward exchange contracts                                 | \$ 24      | \$                | \$ 24    | \$      |
| Forward-starting interest rate swaps                       | 6          |                   | 6        |         |
| Commodities                                                | 2          |                   | 2        |         |
| Foreign currency                                           | 3          |                   | 3        |         |
| Non-derivatives:                                           |            |                   |          |         |
| Performance share awards                                   | 40         | 40                |          |         |
|                                                            | \$ 75      | \$ 40             | \$ 35    | \$      |

\* In accordance with Fair Measurement Topic 820, Subtopic 10, certain investments measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The amounts presented in this table are intended to facilitate reconciliation to the Consolidated Balance Sheets.

There were no transfers between Level 1 and Level 2 during the nine months ended September 30, 2016 and the year ended December 31, 2015.

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

The following table presents the carrying value and estimated fair value of our financial instruments that are not measured at fair value on a recurring basis as of September 30, 2016 and December 31, 2015. Short-term loans receivable, which represent our repurchase agreements, and short-term and long-term debt, are recorded at amortized cost in the Consolidated Balance Sheets. The carrying and fair values of short-term and long-term debt exclude capital leases.

| Millions of dollars         | Carrying<br>Value | September 30, 2016 |         |            |         |
|-----------------------------|-------------------|--------------------|---------|------------|---------|
|                             |                   | Fair<br>Value      | Level 1 | Level<br>2 | Level 3 |
| Non-derivatives:            |                   |                    |         |            |         |
| Assets:                     |                   |                    |         |            |         |
| Short-term loans receivable | \$ 296            | \$ 296             | \$      | \$ 296     | \$      |
| Liabilities:                |                   |                    |         |            |         |
| Short-term debt             | \$ 117            | \$ 145             | \$      | \$ 145     | \$      |
| Long-term debt              | 8,461             | 9,547              |         | 9,545      | 2       |
| Total                       | \$ 8,578          | \$ 9,692           | \$      | \$ 9,690   | \$ 2    |

|                             |                | December 31, 2015 |         |          |         |
|-----------------------------|----------------|-------------------|---------|----------|---------|
| Millions of dollars         | Carrying Value | Fair Value        | Level 1 | Level 2  | Level 3 |
| Non-derivatives:            |                |                   |         |          |         |
| Assets:                     |                |                   |         |          |         |
| Short-term loans receivable | \$ 289         | \$ 289            | \$      | \$ 289   | \$      |
| Long-term loans receivable  | 98             | 98                |         | 98       |         |
| Total                       | \$ 387         | \$ 387            | \$      | \$ 387   | \$      |
| Liabilities:                |                |                   |         |          |         |
| Short-term debt             | \$ 26          | \$ 23             | \$      | \$ 23    | \$      |
| Long-term debt              | 7,671          | 8,034             |         | 8,032    | 2       |
| Total                       | \$ 7,697       | \$ 8,057          | \$      | \$ 8,055 | \$ 2    |

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

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

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

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

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**LYONDELLBASELL INDUSTRIES N.V.**

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

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

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

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

The fair value of our commodity swaps classified as Level 2 is determined using a combination of observable and unobservable inputs. The observable inputs consist of future market values of various crude and heavy fuel oils, which are readily available through public data sources. The unobservable input, which is the estimated discount or premium used in the market pricing, is calculated using an internally-developed, multi-linear regression model based on the observable prices of the known components and their relationships to historical prices. A significant change in this unobservable input would not have a material impact on the fair value measurement of our level 2 commodity swaps.

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

*Available-for-Sale Securities* Fair value is calculated using observable market data for similar securities and broker quotes from recognized purveyors of market data or the net asset value for limited partnership investments provided by the fund administrator.

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

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

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

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

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. Pension and Other Postretirement Benefits**

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

| Millions of dollars                        | U.S. Plans         |        |                   |        |
|--------------------------------------------|--------------------|--------|-------------------|--------|
|                                            | Three Months Ended |        | Nine Months Ended |        |
|                                            | September 30,      |        | September 30,     |        |
|                                            | 2016               | 2015   | 2016              | 2015   |
| Service cost                               | \$ 11              | \$ 11  | \$ 33             | \$ 33  |
| Interest cost                              | 22                 | 21     | 66                | 64     |
| Expected return on plan assets             | (34)               | (37)   | (104)             | (110)  |
| Actuarial and investment loss amortization | 5                  | 3      | 15                | 9      |
| Net periodic benefit costs (credits)       | \$ 4               | \$ (2) | \$ 10             | \$ (4) |

| Millions of dollars                        | Non-U.S. Plans     |       |                   |       |
|--------------------------------------------|--------------------|-------|-------------------|-------|
|                                            | Three Months Ended |       | Nine Months Ended |       |
|                                            | September 30,      |       | September 30,     |       |
|                                            | 2016               | 2015  | 2016              | 2015  |
| Service cost                               | \$ 8               | \$ 8  | \$ 24             | \$ 25 |
| Interest cost                              | 8                  | 8     | 24                | 28    |
| Expected return on plan assets             | (6)                | (6)   | (18)              | (19)  |
| Prior service cost amortization            |                    | 1     |                   | 2     |
| Actuarial and investment loss amortization | 2                  | 1     | 6                 | 5     |
| Net periodic benefit costs                 | \$ 12              | \$ 12 | \$ 36             | \$ 41 |

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

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

| Millions of dollars         | U.S. Plans         |      |                   |       |
|-----------------------------|--------------------|------|-------------------|-------|
|                             | Three Months Ended |      | Nine Months Ended |       |
|                             | September 30,      |      | September 30,     |       |
|                             | 2016               | 2015 | 2016              | 2015  |
| Service cost                | \$                 | \$ 1 | \$ 2              | \$ 3  |
| Interest cost               | 3                  | 3    | 9                 | 10    |
| Actuarial loss amortization |                    | 1    |                   | 2     |
| Net periodic benefit costs  | \$ 3               | \$ 5 | \$ 11             | \$ 15 |

| Millions of dollars         | Non-U.S. Plans     |      |                   |      |
|-----------------------------|--------------------|------|-------------------|------|
|                             | Three Months Ended |      | Nine Months Ended |      |
|                             | September 30,      |      | September 30,     |      |
|                             | 2016               | 2015 | 2016              | 2015 |
| Service cost                | \$                 | \$   | \$ 1              | \$ 1 |
| Interest cost               |                    |      | 1                 | 1    |
| Actuarial loss amortization | 1                  | 1    | 2                 | 3    |
| Net periodic benefit costs  | \$ 1               | \$ 1 | \$ 4              | \$ 4 |

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

| Millions of dollars                | Three Months Ended |       | Nine Months Ended |       |
|------------------------------------|--------------------|-------|-------------------|-------|
|                                    | September 30,      |       | September 30,     |       |
|                                    | 2016               | 2015  | 2016              | 2015  |
| Pension plans                      | \$ 16              | \$ 10 | \$ 46             | \$ 37 |
| Other postretirement benefit plans | 4                  | 6     | 15                | 19    |
| Net periodic benefit costs         | \$ 20              | \$ 16 | \$ 61             | \$ 56 |

**10. Income Taxes**

Our effective income tax rate for the third quarter of 2016 was 25.4% compared with 29.1% for the third quarter of 2015. For the first nine months of 2016, the effective income tax rate was 26.4% compared with 28.5% for the first nine months of 2015. Our effective tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, the U.S. domestic production activity deduction, changes in valuation allowances and changes in unrecognized tax benefits associated with uncertain tax positions.

Compared with the third quarter of 2015, the lower effective tax rate for the third quarter of 2016 was primarily attributable to an increase in exempt income, changes in pretax income in countries with varying statutory tax rates, and changes in return to accrual adjustments, partially offset by a decrease in the U.S. domestic production activity deduction. Compared with the first nine months of 2015, the lower effective tax rate for the first nine months of 2016 was primarily attributable to an increase in exempt income, the impact of a change in tax law on our deferred tax liabilities, and changes in pretax income in countries with varying statutory tax rates, partially offset by adjustments to our deferred tax liabilities and an increase in foreign exchange gains.

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A portion of the Company's interest income from internal financing is either untaxed or taxed at rates substantially lower than the U.S. statutory rate. In September, 2016, the UK enacted provisions (the so called "anti-hybrid provisions"), effective for years beginning January 1, 2017, that will impact our internal financing structure. In addition, in October, 2016 the U.S. Treasury issued final Section 385 debt-equity regulations that may also impact our internal financings. We are currently evaluating the impacts of both these measures, but, currently do not believe that they will have a material effect on our Consolidated Financial Statements.

We monitor income tax developments (including, for example, the European Union's state aid investigations) in countries where we conduct business. New or proposed changes to tax laws could affect our tax liabilities in the future.

**11. Commitments and Contingencies**

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

*Environmental Remediation* Our accrued liability for future environmental remediation costs at current and former plant sites and other remediation sites totaled \$105 million and \$106 million as of September 30, 2016 and December 31, 2015, respectively. At September 30, 2016, the accrued liabilities for individual sites range from less than \$1 million to \$22 million. The remediation expenditures are expected to occur over a number of years, and not to be concentrated in any single year. In our opinion, it is reasonably possible that losses in excess of the liabilities recorded may have been incurred. However, we cannot estimate any amount or range of such possible additional losses. New information about sites, new technology or future developments such as involvement in investigations by regulatory agencies, could require us to reassess our potential exposure related to environmental matters.

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

| Millions of dollars  | Nine Months Ended |        |
|----------------------|-------------------|--------|
|                      | September 30,     |        |
|                      | 2016              | 2015   |
| Beginning balance    | \$ 106            | \$ 106 |
| Additional provision | 3                 | 6      |
| Changes in estimates | 10                | (3)    |

|                          |        |       |
|--------------------------|--------|-------|
| Amounts paid             | (16)   | (6)   |
| Foreign exchange effects | 2      | (6)   |
| Ending balance           | \$ 105 | \$ 97 |

*Access Indemnity Demand* In December 2010, one of our subsidiaries received demand letters from affiliates of Access Industries (collectively, Access Entities), a more than five percent shareholder of the Company, demanding indemnity for losses, including attorney's fees and expenses, arising out of a pending lawsuit styled *Edward S. Weisfelner, as Litigation Trustee of the LB Litigation Trust v. Leonard Blavatnik, et al.*, Adversary Proceeding No. 09-1375 (REG), in the United States Bankruptcy Court, Southern District of New York. In the

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**LYONDELLBASELL INDUSTRIES N.V.**

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

*Weisfelner* lawsuit, the plaintiffs seek to recover from Access the return of all amounts earned by the Access Entities related to their purchase of shares of Lyondell Chemical prior to its acquisition by Basell AF S.C.A.; distributions by Basell AF S.C.A. to its shareholders before it acquired Lyondell Chemical; and management and transaction fees and expenses. A trial began in October 2016 and is currently ongoing.

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

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

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

**409A Matter** Certain of the Company's current and former executives are being audited by the Internal Revenue Service for the 2012 tax year. The IRS has issued proposed assessments of additional taxes to these individuals for wages and penalties under Section 409A of the Internal Revenue Code. The IRS has argued that stock options awarded to the individuals in 2010 in connection with the Company's emergence from bankruptcy should not have used the exercise price set under the bankruptcy court approved plan of reorganization but instead should have used an exercise price based on pre-emergence trading by parties not controlled by the Company. If the individuals are unsuccessful in their defenses against these audits, or any audits for subsequent tax years, the Company believes it is reasonably possible that it may be liable to the individual executive taxpayers for the additional amounts they may owe to the IRS as a result of the stock options allegedly not meeting the exemption from Section 409A. Any amount that may be owed by the Company is dependent on the ultimate resolution of the IRS audits, but the Company believes that such amount could range from no liability to up to \$165 million. The Company intends to vigorously defend its compensation practices.

**Indemnification** We are parties to various indemnification arrangements, including arrangements entered into in connection with acquisitions, divestitures and the formation and dissolution of joint ventures. Pursuant to these arrangements, we provide indemnification to and/or receive indemnification from other parties in connection with liabilities that may arise in connection with the transactions and in connection with activities prior to completion of the transactions. These indemnification arrangements typically include provisions pertaining to third party claims relating to environmental and tax matters and various types of litigation. As of September 30, 2016, we had not accrued any significant amounts for our indemnification obligations, and we are not aware of other circumstances that would likely lead to significant future indemnification obligations. We cannot determine with certainty the potential

amount of future payments under the indemnification arrangements until events arise that would trigger a liability under the arrangements.

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

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. Stockholders' Equity**

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

| Millions of dollars, except per share amounts | Dividend Per<br>Ordinary<br>Share | Aggregate<br>Dividends<br>Paid | Date of Record    |
|-----------------------------------------------|-----------------------------------|--------------------------------|-------------------|
| March                                         | \$ 0.78                           | \$ 336                         | February 29, 2016 |
| June                                          | 0.85                              | 362                            | May 24, 2016      |
| September                                     | 0.85                              | 351                            | August 16, 2016   |
|                                               | \$ 2.48                           | \$ 1,049                       |                   |

*Share Repurchase Programs* During the second quarters of 2016 and 2015, we completed the repurchase of shares under the share repurchase programs approved by our shareholders in May 2015 ( May 2015 Share Repurchase Program) and April 2014 ( April 2014 Share Repurchase Program ), respectively. We were authorized to purchase up to 10% of our outstanding shares under each of these programs. In May 2016, our shareholders approved a proposal to authorize us to repurchase up to an additional 10% of our outstanding ordinary shares through November 2017 ( May 2016 Share Repurchase Program ). These repurchases, which are determined at the discretion of our Management Board, may be executed from time to time through open market or privately negotiated transactions. The repurchased shares, which are recorded at cost, are recorded as Treasury stock and may be retired or used for general corporate purposes, including for various employee benefit and compensation plans.

| Millions of dollars, except shares and per share amounts | Nine Months Ended September 30,<br>2016 |                              |                                                   |
|----------------------------------------------------------|-----------------------------------------|------------------------------|---------------------------------------------------|
|                                                          | Shares<br>Repurchased                   | Average<br>Purchase<br>Price | Total Purchase<br>Price, Including<br>Commissions |
| May 2015 Share Repurchase Program                        | 15,302,707                              | \$ 80.15                     | \$ 1,226                                          |
| May 2016 Share Repurchase Program                        | 16,091,214                              | 77.73                        | 1,251                                             |
|                                                          | 31,393,921                              | \$ 78.91                     | \$ 2,477                                          |

| Millions of dollars, except shares and per share amounts | Nine Months Ended September 30,<br>2015 |                              |                             |
|----------------------------------------------------------|-----------------------------------------|------------------------------|-----------------------------|
|                                                          | Shares<br>Repurchased                   | Average<br>Purchase<br>Price | Total<br>Purchase<br>Price, |

|                                     |            |          | <b>Including<br/>Commissions</b> |
|-------------------------------------|------------|----------|----------------------------------|
| April 2014 Share Repurchase Program | 19,892,101 | \$ 86.40 | \$ 1,719                         |
| May 2015 Share Repurchase Program   | 19,214,553 | 89.80    | 1,725                            |
|                                     | 39,106,654 | \$ 88.07 | \$ 3,444                         |

Due to the timing of settlements, total cash paid for share repurchases for the nine months ended September 30, 2016 and 2015 was \$2,501 million and \$3,436 million, respectively.

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

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

|                              | <b>Nine Months Ended<br/>September 30,</b> |              |
|------------------------------|--------------------------------------------|--------------|
|                              | <b>2016</b>                                | <b>2015</b>  |
| Ordinary shares outstanding: |                                            |              |
| Beginning balance            | 440,150,069                                | 486,969,402  |
| Share-based compensation     | 338,103                                    | 4,955,719    |
| Warrants exercised           | 200                                        | 1,802        |
| Employee stock purchase plan | 71,108                                     | 24,689       |
| Purchase of ordinary shares  | (31,393,921)                               | (39,106,654) |
| Ending balance               | 409,165,559                                | 452,844,958  |

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

|                                          | <b>Nine Months Ended<br/>September 30,</b> |             |
|------------------------------------------|--------------------------------------------|-------------|
|                                          | <b>2016</b>                                | <b>2015</b> |
| Ordinary shares held as treasury shares: |                                            |             |
| Beginning balance                        | 138,285,201                                | 91,463,729  |
| Share-based compensation                 | (338,103)                                  | (4,955,719) |
| Warrants exercised                       |                                            | 150         |
| Employee stock purchase plan             | (71,108)                                   | (24,689)    |
| Purchase of ordinary shares              | 31,393,921                                 | 39,106,654  |
| Ending balance                           | 169,269,911                                | 125,590,125 |

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

*Accumulated Other Comprehensive Income (Loss)* The components of, and after-tax changes in, Accumulated other comprehensive income (loss) as of and for the nine months ended September 30, 2016 and 2015 are presented in the following table:

| <b>Millions of dollars</b>                                       |                    | <b>Financial<br/>Derivatives</b> | <b>Net Unrealized<br/>Holding<br/>Gains<br/>on Investments<br/>Net of<br/>Tax</b> | <b>Defined<br/>Pension<br/>and Other<br/>Postretirement<br/>Benefit<br/>Plans</b> | <b>Foreign<br/>Currency<br/>Translation<br/>Adjustments</b> | <b>Total</b> |
|------------------------------------------------------------------|--------------------|----------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------|--------------|
| Balance                                                          | January 1, 2016    | \$ (79)                          | \$ (5)                                                                            | \$ (428)                                                                          | \$ (926)                                                    | \$ (1,438)   |
| Other comprehensive income (loss) before reclassifications       |                    | (201)                            | (7)                                                                               |                                                                                   | 80                                                          | (128)        |
| Amounts reclassified from accumulated other comprehensive loss   |                    | 52                               |                                                                                   | 15                                                                                | 7                                                           | 74           |
| Net other comprehensive income (loss)                            |                    | (149)                            | (7)                                                                               | 15                                                                                | 87                                                          | (54)         |
| Balance                                                          | September 30, 2016 | \$ (228)                         | \$ (12)                                                                           | \$ (413)                                                                          | \$ (839)                                                    | \$ (1,492)   |
| Balance                                                          | January 1, 2015    | \$ (80)                          | \$                                                                                | \$ (449)                                                                          | \$ (497)                                                    | \$ (1,026)   |
| Other comprehensive income (loss) before reclassifications       |                    | 185                              | (1)                                                                               |                                                                                   | (406)                                                       | (222)        |
| Amounts reclassified from accumulated other comprehensive income |                    | (148)                            |                                                                                   | 15                                                                                |                                                             | (133)        |
| Net other comprehensive income (loss)                            |                    | 37                               | (1)                                                                               | 15                                                                                | (406)                                                       | (355)        |
| Balance                                                          | September 30, 2015 | \$ (43)                          | \$ (1)                                                                            | \$ (434)                                                                          | \$ (903)                                                    | \$ (1,381)   |

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

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

|                                                                           | <b>Three Months Ended</b> |             | <b>Nine Months Ended</b> |             | <b>Affected line item on</b> |
|---------------------------------------------------------------------------|---------------------------|-------------|--------------------------|-------------|------------------------------|
|                                                                           | <b>September 30,</b>      |             | <b>September 30,</b>     |             | <b>the Consolidated</b>      |
| <b>Millions of dollars</b>                                                | <b>2016</b>               | <b>2015</b> | <b>2016</b>              | <b>2015</b> | <b>Statements of Income</b>  |
| Reclassification adjustments for:                                         |                           |             |                          |             |                              |
| Financial derivatives                                                     | \$ 5                      | \$ 5        | \$ 52                    | \$ (148)    | Other income, net            |
| Defined pension and other postretirement benefit plan items:              |                           |             |                          |             |                              |
| Amortization of:                                                          |                           |             |                          |             |                              |
| Prior service cost                                                        | \$ 1                      | \$ 1        | \$ 1                     | \$ 2        |                              |
| Actuarial loss                                                            | 8                         | 6           | 23                       | 19          |                              |
| Foreign currency translation                                              | 7                         |             | 7                        |             | Other income, net            |
| Reclassifications, before tax                                             | 21                        | 12          | 83                       | (127)       |                              |
| Income tax expense                                                        | 4                         | 2           | 9                        | 6           | Provision for income taxes   |
| Amounts reclassified out of Accumulated other comprehensive income (loss) | \$ 17                     | \$ 10       | \$ 74                    | \$ (133)    |                              |

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

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

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

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

|                                                                           | Three Months Ended September 30, |                         |                       |                         |
|---------------------------------------------------------------------------|----------------------------------|-------------------------|-----------------------|-------------------------|
|                                                                           | 2016                             |                         | 2015                  |                         |
| Millions of dollars                                                       | Continuing Operations            | Discontinued Operations | Continuing Operations | Discontinued Operations |
| Net income (loss)                                                         | \$ 955                           | \$ (2)                  | \$ 1,189              | \$ (3)                  |
| Less: net loss attributable to non-controlling interests                  | (1)                              |                         | (1)                   |                         |
| Net income (loss) attributable to the Company shareholders                | 954                              | (2)                     | 1,188                 | (3)                     |
| Net income attributable to participating securities                       | (1)                              |                         | (1)                   |                         |
| Net income (loss) attributable to ordinary shareholders basic and diluted | \$ 953                           | \$ (2)                  | \$ 1,187              | \$ (3)                  |
| <b>Millions of shares, except per share amounts</b>                       |                                  |                         |                       |                         |
| Basic weighted average common stock outstanding                           | 413                              | 413                     | 462                   | 462                     |
| Effect of dilutive securities:                                            |                                  |                         |                       |                         |
| Stock options                                                             |                                  |                         |                       |                         |
| QPA and PSU awards                                                        | 1                                | 1                       | 1                     | 1                       |
| Potential dilutive shares                                                 | 414                              | 414                     | 463                   | 463                     |
| Earnings (loss) per share:                                                |                                  |                         |                       |                         |
| Basic                                                                     | \$ 2.31                          | \$ (0.01)               | \$ 2.57               | \$ (0.01)               |
| Diluted                                                                   | \$ 2.31                          | \$ (0.01)               | \$ 2.55               | \$ (0.01)               |
| <b>Millions of shares</b>                                                 |                                  |                         |                       |                         |
| Participating securities                                                  | 0.4                              | 0.4                     | 0.4                   | 0.4                     |
| Dividends declared per share of common stock                              | \$ 0.85                          | \$                      | \$ 0.78               | \$                      |



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

|                                                                           | Nine Months Ended September 30, |                         |                       |                         |
|---------------------------------------------------------------------------|---------------------------------|-------------------------|-----------------------|-------------------------|
|                                                                           | 2016                            |                         | 2015                  |                         |
|                                                                           | Continuing Operations           | Discontinued Operations | Continuing Operations | Discontinued Operations |
| <b>Millions of dollars</b>                                                |                                 |                         |                       |                         |
| Net income (loss)                                                         | \$ 3,077                        | \$ (3)                  | \$ 3,682              | \$ (3)                  |
| Less: net (income) loss attributable to non-controlling interests         | (1)                             |                         | 2                     |                         |
| Net income (loss) attributable to the Company shareholders                | 3,076                           | (3)                     | 3,684                 | (3)                     |
| Net income attributable to participating securities                       | (3)                             |                         | (7)                   |                         |
| Net income (loss) attributable to ordinary shareholders basic and diluted | \$ 3,073                        | \$ (3)                  | \$ 3,677              | \$ (3)                  |
| <b>Millions of shares, except per share amounts</b>                       |                                 |                         |                       |                         |
| Basic weighted average common stock outstanding                           | 423                             | 423                     | 471                   | 471                     |
| Effect of dilutive securities:                                            |                                 |                         |                       |                         |
| Stock options                                                             |                                 |                         | 1                     | 1                       |
| QPA and PSU awards                                                        | 1                               | 1                       | 1                     | 1                       |
| Potential dilutive shares                                                 | 424                             | 424                     | 473                   | 473                     |
| Earnings (loss) per share:                                                |                                 |                         |                       |                         |
| Basic                                                                     | \$ 7.26                         | \$ (0.01)               | \$ 7.81               | \$ (0.01)               |
| Diluted                                                                   | \$ 7.24                         | \$ (0.01)               | \$ 7.78               | \$ (0.01)               |
| <b>Millions of shares</b>                                                 |                                 |                         |                       |                         |
| Participating securities                                                  | 0.4                             | 0.4                     | 0.4                   | 0.4                     |
| Dividends declared per share of common stock                              | \$ 2.48                         | \$                      | \$ 2.26               | \$                      |

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**LYONDELLBASELL INDUSTRIES N.V.**

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

**14. Segment and Related Information**

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

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

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

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

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

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

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

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

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

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

| Millions of dollars                 | Three Months Ended September 30, 2016 |            |          |          |            |        | Total    |
|-------------------------------------|---------------------------------------|------------|----------|----------|------------|--------|----------|
|                                     | O&P<br>Americas                       | O&P<br>EAI | I&D      | Refining | Technology | Other  |          |
| Sales and other operating revenues: |                                       |            |          |          |            |        |          |
| Customers                           | \$ 1,740                              | \$ 2,585   | \$ 1,769 | \$ 1,192 | \$ 80      | \$ (1) | \$ 7,365 |
| Intersegment                        | 602                                   | 49         | 36       | 138      | 22         | (847)  |          |
|                                     | 2,342                                 | 2,634      | 1,805    | 1,330    | 102        | (848)  | 7,365    |
| Income from equity investments      | 12                                    | 67         | 2        |          |            |        | 81       |
| EBITDA                              | 682                                   | 584        | 304      | (10)     | 45         | 1      | 1,606    |

  

| Millions of dollars                 | Three Months Ended September 30, 2015 |            |          |          |            |       | Total    |
|-------------------------------------|---------------------------------------|------------|----------|----------|------------|-------|----------|
|                                     | O&P<br>Americas                       | O&P<br>EAI | I&D      | Refining | Technology | Other |          |
| Sales and other operating revenues: |                                       |            |          |          |            |       |          |
| Customers                           | \$ 1,838                              | \$ 2,874   | \$ 1,989 | \$ 1,559 | \$ 74      | \$    | \$ 8,334 |
| Intersegment                        | 678                                   | 58         | 50       | 134      | 26         | (946) |          |
|                                     | 2,516                                 | 2,932      | 2,039    | 1,693    | 100        | (946) | 8,334    |
| Income from equity investments      | 12                                    | 79         | 2        |          |            |       | 93       |
| EBITDA                              | 841                                   | 549        | 460      | 93       | 45         | 13    | 2,001    |

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

| Millions of dollars                 | Nine Months Ended September 30, 2016 |          |          |          |            |         | Total     |
|-------------------------------------|--------------------------------------|----------|----------|----------|------------|---------|-----------|
|                                     | O&P Americas                         | O&P EAI  | I&D      | Refining | Technology | Other   |           |
| Sales and other operating revenues: |                                      |          |          |          |            |         |           |
| Customers                           | \$ 4,978                             | \$ 7,805 | \$ 5,186 | \$ 3,179 | \$ 288     | \$      | \$ 21,436 |
| Intersegment                        | 1,690                                | 128      | 90       | 395      | 75         | (2,378) |           |
|                                     | 6,668                                | 7,933    | 5,276    | 3,574    | 363        | (2,378) | 21,436    |
| Income from equity investments      | 54                                   | 232      | 3        |          |            |         | 289       |
| EBITDA                              | 2,314                                | 1,669    | 1,027    | (9)      | 201        | (6)     | 5,196     |

| Millions of dollars                 | Nine Months Ended September 30, 2015 |          |          |          |            |         | Total     |
|-------------------------------------|--------------------------------------|----------|----------|----------|------------|---------|-----------|
|                                     | O&P Americas                         | O&P EAI  | I&D      | Refining | Technology | Other   |           |
| Sales and other operating revenues: |                                      |          |          |          |            |         |           |
| Customers                           | \$ 5,668                             | \$ 8,748 | \$ 5,981 | \$ 4,998 | \$ 269     | \$      | \$ 25,664 |
| Intersegment                        | 2,078                                | 156      | 135      | 404      | 74         | (2,847) |           |
|                                     | 7,746                                | 8,904    | 6,116    | 5,402    | 343        | (2,847) | 25,664    |
| Income from equity investments      | 27                                   | 215      | 10       |          |            |         | 252       |
| EBITDA                              | 2,886                                | 1,398    | 1,263    | 401      | 178        | 13      | 6,139     |

In the first nine months of 2016, our O&P Americas and O&P EAI segments' results benefited from gains of \$57 million and \$21 million, respectively, related to the sale of our wholly owned subsidiary, Petroken Petroquímica Ensenada S.A.

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

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

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

| <b>Millions of dollars</b>                                   | <b>Three Months Ended September 30,</b> |                 | <b>Nine Months Ended September 30,</b> |                 |
|--------------------------------------------------------------|-----------------------------------------|-----------------|----------------------------------------|-----------------|
|                                                              | <b>2016</b>                             | <b>2015</b>     | <b>2016</b>                            | <b>2015</b>     |
| <b>EBITDA:</b>                                               |                                         |                 |                                        |                 |
| Total segment EBITDA                                         | \$ 1,605                                | \$ 1,988        | \$ 5,202                               | \$ 6,126        |
| Other EBITDA                                                 | 1                                       | 13              | (6)                                    | 13              |
| <b>Less:</b>                                                 |                                         |                 |                                        |                 |
| Depreciation and amortization expense                        | (257)                                   | (248)           | (791)                                  | (782)           |
| Interest expense                                             | (72)                                    | (85)            | (237)                                  | (233)           |
| <b>Add:</b>                                                  |                                         |                 |                                        |                 |
| Interest income                                              | 4                                       | 8               | 13                                     | 26              |
| <b>Income from continuing operations before income taxes</b> | <b>\$ 1,281</b>                         | <b>\$ 1,676</b> | <b>\$ 4,181</b>                        | <b>\$ 5,150</b> |

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

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

**GENERAL**

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

**OVERVIEW**

Our performance generally is driven by global economic conditions 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 cyclical and volatility generally seen in the chemicals and refining industries.

The strong contribution of our O&P-EAI segment in the third quarter and first nine months of 2016 has demonstrated the geographic balance within our portfolio. This has been significant, as our O&P Americas segment results have been negatively impacted by a heavy planned maintenance schedule when both regions have experienced strong polyolefin demand. Results for our Refining segment in the third quarter and first nine months of 2016 were significantly reduced by the impacts of planned and unplanned outages.

Significant items that affected our results during the third quarter and first nine months of 2016 relative to the third quarter and first nine months of 2015 include:

Lower ethylene and polyethylene production in O&P Americas in both 2016 periods due to turnaround activity. Lower olefins and polyethylene margins contributed to a significant decline in results for both 2016 periods relative to the prior year periods. For the first nine months of 2016, these declines were offset in part by improved polypropylene results;

Improved European polyolefins results in O&P EAI due to higher product spreads over ethylene and propylene feedstock prices, partially offset by a decline in olefin results stemming from lower margins;

Lower margins for our I&D segment products due mainly to weaker gasoline-related product prices and increased industry supply of certain products, partly offset by higher volumes in most businesses; and

Refining industry margin declines and a significant reduction in throughput due to planned maintenance in the first quarter and from several unplanned outages, including a coker unit fire early in the second quarter, downtime at crude units in both periods and several utility supply disruptions during the third quarter of 2016.

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

Increase of our interim dividend in May 2016 from \$0.78 to \$0.85;

Repurchases of approximately 10 million and 31 million of our outstanding ordinary shares during the third quarter and first nine months of 2016;

Increases of our revolving credit facility and commercial paper program from \$2,000 million to \$2,500 million in June 2016;

The issuance of 750 million of 1.875% guaranteed notes due 2022 in March 2016; and

The sale of our wholly owned Argentine subsidiary for \$184 million in February, 2016, with net cash proceeds of \$137 million.

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

| <b>Millions of dollars</b>                             | <b>Three Months Ended</b> |                      | <b>Nine Months Ended</b> |                      |
|--------------------------------------------------------|---------------------------|----------------------|--------------------------|----------------------|
|                                                        | <b>September 30,</b>      | <b>September 30,</b> | <b>September 30,</b>     | <b>September 30,</b> |
|                                                        | <b>2016</b>               | <b>2015</b>          | <b>2016</b>              | <b>2015</b>          |
| Sales and other operating revenues                     | \$ 7,365                  | \$ 8,334             | \$ 21,436                | \$ 25,664            |
| Cost of sales                                          | 5,903                     | 6,465                | 16,771                   | 19,891               |
| Selling, general and administrative expenses           | 188                       | 194                  | 580                      | 627                  |
| Research and development expenses                      | 25                        | 25                   | 73                       | 76                   |
| Operating income                                       | 1,249                     | 1,650                | 4,012                    | 5,070                |
| Interest expense                                       | (72)                      | (85)                 | (237)                    | (233)                |
| Interest income                                        | 4                         | 8                    | 13                       | 26                   |
| Other income, net                                      | 19                        | 10                   | 104                      | 35                   |
| Income from equity investments                         | 81                        | 93                   | 289                      | 252                  |
| Provision for income taxes                             | 326                       | 487                  | 1,104                    | 1,468                |
| Income from continuing operations                      | 955                       | 1,189                | 3,077                    | 3,682                |
| Income (loss) from discontinued operations, net of tax | (2)                       | (3)                  | (3)                      | (3)                  |
| Net income                                             | \$ 953                    | \$ 1,186             | \$ 3,074                 | \$ 3,679             |

**RESULTS OF OPERATIONS**

**Revenues** Revenues decreased by \$969 million, or 12%, in the third quarter of 2016 compared to the third quarter of 2015 and by \$4,228 million, or 16%, in the first nine months of 2016 compared to the first nine months of 2015.

In the third quarter and first nine months of 2016, lower average sales prices driven by decreases in the prices of crude oil and other feedstocks led to revenue declines of 11% and 14%, respectively. Revenue declines of 1% and 2% in the third quarter and first nine months of 2016, respectively, were driven primarily by lower sales volumes in our Refining segment due to turnaround activities and unplanned outages. These declines were partially offset by higher volumes in our I&D segment in both 2016 periods.

**Cost of Sales** Cost of sales decreased by \$562 million, or 9%, and \$3,120 million, or 16%, in the third quarter and first nine months of 2016 compared to the third quarter and first nine months of 2015, respectively, primarily due to the decline in feedstock and energy costs.

Cost of sales in the third quarter and first nine months of 2015 included net non-cash LCM inventory valuation charges in all of our segments except for the Technology segment totaling \$181 million and \$264 million, respectively. In addition, Cost of sales for the first nine months of 2015 included amortization of \$35 million associated with the expiration of emission allowance credits in our Refining and I&D segments.

**SG&A Expenses** Selling, general and administrative expenses ( SG&A ) declined by \$6 million and \$47 million in the third quarter and first nine months of 2016 relative to the prior year periods due to lower compensation related expenses.

**Operating Income** Operating income decreased by \$401 million in the third quarter of 2016 compared to the third quarter of 2015 and by \$1,058 million in the first nine months of 2016 compared to the first nine months of 2015.

Operating income in the third quarter and first nine months of 2015 include LCM inventory valuation charges of \$181 million and \$264 million, respectively. Operating income for the first nine months of 2015 also included the negative impact of the \$35 million of emission credit allowances amortization discussed above.

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Absent these items, operating income was lower by \$582 million and \$1,357 million in the third quarter and first nine months of 2016, respectively, compared to the same periods in 2015. The results of our O&P Americas, I&D and Refining segments, which declined in the third quarter by \$237 million, \$209 million and \$158 million, respectively, and in the first nine months of 2016 by \$760 million, \$364 million and \$467 million, respectively, were the main drivers of the lower operating income. These negative impacts were offset in part by improvements in our O&P EAI segment in the third quarter and first nine months of 2016. Results for each of our business segments are discussed further in the Segment Analysis section below.

**Interest Expense** Interest expense in the third quarter of 2016 decreased by \$13 million compared to the third quarter of 2015 and increased by \$4 million over the first nine months of 2015.

Debt issuances in March 2016 and 2015 of our 1.875% guaranteed notes due 2022 in March 2016 and our 4.625% senior notes due 2055 in March 2015 as well as reduced benefits from our fixed-for-floating interest rate swaps and cross-currency swaps resulted in higher interest expense of \$6 million and \$29 million in the third quarter and first nine months of 2016, respectively. For additional information related to the swaps, see Notes 6, 7 and 8. Higher capitalized interest of \$14 million and \$19 million in the third quarter and first nine months of 2016, respectively, more than offset the third quarter 2016 increase relative to the same period in 2015 and partially offset the increase in the first nine months of 2016. Interest expense was further reduced in the third quarter and first nine months of 2016 by lower bank fees and interest on taxes.

**Other Income, Net** Other income, net of \$19 and \$104 million in the third quarter and first nine months of 2016 reflects increases of \$9 million and \$69 million, respectively, relative to the same periods in 2015. The sales of our joint venture interest in Japan and idled assets in Australia in the third quarter of 2016 resulted in gains totaling \$11 million. We also recognized a \$78 million gain related to the sale of our wholly owned Argentine subsidiary in the first quarter of 2016. We allocated \$57 million and \$21 million of this gain to our O&P Americas and O&P EAI segments, respectively.

**Income from Equity Investments** Income from equity investments decreased by \$12 million in the third quarter of 2016 compared to the third quarter of 2015 and increased by \$37 million in the first nine months of 2016 compared to the first nine months of 2015.

Lower volumes attributable to unplanned outages at one of our joint ventures in Saudi Arabia led to the decline in equity income in the third quarter of 2016. The improvement in equity income in the first nine months of 2016 primarily reflects the impacts of higher volumes and spreads at our joint venture in Mexico due to strong polypropylene demand and higher margins at our joint venture in Poland.

**Income Tax** Our effective income tax rate for the third quarter of 2016 was 25.4% compared with 29.1% for the third quarter of 2015. For the first nine months of 2016, the effective income tax rate was 26.4% compared with 28.5% for the first nine months of 2015. Our effective tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, the U.S. domestic production activity deduction, changes in valuation allowances and changes in unrecognized tax benefits associated with uncertain tax positions.

Compared with the third quarter of 2015, the lower effective tax rate for the third quarter of 2016 was primarily attributable to an increase in exempt income (-1.9%), changes in pretax income in countries with varying statutory tax rates (-1.9%), and changes in return to accrual adjustments (-0.7%), partially offset by a decrease in the U.S. domestic production activity deduction (2.0%). Compared with the first nine months of 2015, the lower effective tax rate for the first nine months of 2016 was primarily attributable to an increase in exempt income (-1.3%), the impact of a change in tax law on our deferred tax liabilities (-1.2%), and changes in pretax income in countries with varying statutory tax

rates (-1.1%), partially offset by adjustments to our deferred tax liabilities (1.7%) and an increase in foreign exchange gains (0.7%).

A portion of the Company's interest income from internal financing is either untaxed or taxed at rates substantially lower than the U.S. statutory rate. This treatment may be prospectively impacted by potential changes in the law, including adoption of certain proposals for base erosion and profit shifting. In September, 2016, the UK enacted provisions (the so called "anti-hybrid provisions"), effective for years beginning January 1, 2017, that will impact our internal financing structure. In addition, in October, 2016, the U.S. Treasury issued final Section 385 debt-equity regulations that may also impact our internal financings. We are currently evaluating the impacts of both of these measures, but, currently do not believe that they will have a material effect on our Consolidated Financial Statements.

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We monitor income tax developments (including, for example, the European Union's state aid investigations) in countries where we conduct business. New or proposed changes to tax laws could affect our tax liabilities in the future.

**Comprehensive Income** Comprehensive income decreased by \$179 million and \$304 million in the third quarter and first nine months of 2016 compared to the same periods in 2015. These decreases reflect lower net income and the unfavorable impacts of financial derivative adjustments. These decreases were offset in part in the third quarter and first nine months of 2016 by the favorable impact of unrealized net changes in foreign currency translation adjustments.

In the third quarter and first nine months of 2016, we had pre-tax losses of \$6 million and \$39 million respectively, which represent the effective portion of the unrealized losses of our financial instruments designated as net investment hedges.

In the third quarter and first nine months of 2016, the cumulative effects of our derivatives designated as cash flow hedges were losses of \$69 million and \$258 million, respectively. The euro strengthened against the U.S. dollar in the third quarter and first nine months of 2016 resulting in pre-tax losses of \$48 million and \$83 million in the third quarter and first nine months of 2016 related to our cross currency swaps.

Pre-tax gains of \$5 million and of \$52 million related to our cross currency swaps were reclassification adjustments included in net income in the third quarter and first nine months of 2016, respectively. Unrealized losses of \$21 million and \$175 million in the third quarter and first nine months of 2016 related to forward-starting interest rate swaps were driven by decreases in benchmark interest rates during those periods.

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

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

Our continuing operations are divided into five reportable segments: O&P Americas; O&P EAI; I&D; Refining; and Technology. Revenues and the components of EBITDA for the periods presented are reflected in the table below.

| Millions of dollars                        | Three Months Ended |               | Nine Months   |               |
|--------------------------------------------|--------------------|---------------|---------------|---------------|
|                                            | September 30,      | September 30, | September 30, | September 30, |
|                                            | 2016               | 2015          | 2016          | 2015          |
| <b>Sales and other operating revenues:</b> |                    |               |               |               |
| O&P Americas segment                       | \$ 2,342           | \$ 2,516      | \$ 6,668      | \$ 7,746      |
| O&P EAI segment                            | 2,634              | 2,932         | 7,933         | 8,904         |
| I&D segment                                | 1,805              | 2,039         | 5,276         | 6,116         |
| Refining segment                           | 1,330              | 1,693         | 3,574         | 5,402         |
| Technology segment                         | 102                | 100           | 363           | 343           |
| Other, including intersegment eliminations | (848)              | (946)         | (2,378)       | (2,847)       |
| Total                                      | \$ 7,365           | \$ 8,334      | \$ 21,436     | \$ 25,664     |
| <b>Operating income:</b>                   |                    |               |               |               |
| O&P Americas segment                       | \$ 582             | \$ 740        | \$ 1,935      | \$ 2,594      |
| O&P EAI segment                            | 447                | 412           | 1,228         | 1,007         |
| I&D segment                                | 240                | 403           | 822           | 1,079         |
| Refining segment                           | (56)               | 52            | (139)         | 245           |
| Technology segment                         | 35                 | 34            | 170           | 143           |
| Other, including intersegment eliminations | 1                  | 9             | (4)           | 2             |
| Total                                      | \$ 1,249           | \$ 1,650      | \$ 4,012      | \$ 5,070      |
| <b>Depreciation and amortization:</b>      |                    |               |               |               |
| O&P Americas segment                       | \$ 87              | \$ 87         | \$ 265        | \$ 258        |
| O&P EAI segment                            | 58                 | 54            | 171           | 163           |
| I&D segment                                | 62                 | 55            | 201           | 171           |
| Refining segment                           | 40                 | 41            | 123           | 155           |
| Technology segment                         | 10                 | 11            | 31            | 35            |
| Total                                      | \$ 257             | \$ 248        | \$ 791        | \$ 782        |

**Income from equity investments:**

|                      |    |    |    |    |    |     |    |     |
|----------------------|----|----|----|----|----|-----|----|-----|
| O&P Americas segment | \$ | 12 | \$ | 12 | \$ | 54  | \$ | 27  |
| O&P EAI segment      |    | 67 |    | 79 |    | 232 |    | 215 |
| I&D segment          |    | 2  |    | 2  |    | 3   |    | 10  |
| Total                | \$ | 81 | \$ | 93 | \$ | 289 | \$ | 252 |

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| Millions of dollars                        | Three Months Ended |                 | Nine Months Ended |                 |
|--------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                            | September 30,      |                 | September 30,     |                 |
|                                            | 2016               | 2015            | 2016              | 2015            |
| <b>Other income (expense), net:</b>        |                    |                 |                   |                 |
| O&P Americas segment                       | \$ 1               | \$ 2            | \$ 60             | \$ 7            |
| O&P EAI segment                            | 12                 | 4               | 38                | 13              |
| I&D segment                                |                    |                 | 1                 | 3               |
| Refining segment                           | 6                  |                 | 7                 | 1               |
| Other, including intersegment eliminations |                    | 4               | (2)               | 11              |
| <b>Total</b>                               | <b>\$ 19</b>       | <b>\$ 10</b>    | <b>\$ 104</b>     | <b>\$ 35</b>    |
| <b>EBITDA:</b>                             |                    |                 |                   |                 |
| O&P Americas segment                       | \$ 682             | \$ 841          | \$ 2,314          | \$ 2,886        |
| O&P EAI segment                            | 584                | 549             | 1,669             | 1,398           |
| I&D segment                                | 304                | 460             | 1,027             | 1,263           |
| Refining segment                           | (10)               | 93              | (9)               | 401             |
| Technology segment                         | 45                 | 45              | 201               | 178             |
| Other, including intersegment eliminations | 1                  | 13              | (6)               | 13              |
| <b>Total</b>                               | <b>\$ 1,606</b>    | <b>\$ 2,001</b> | <b>\$ 5,196</b>   | <b>\$ 6,139</b> |

***Olefins and Polyolefins Americas Segment***

**Overview** EBITDA for the third quarter and first nine months of 2016 reflects lower olefins and polyethylene results, partially offset in the first nine months of 2016 by improved polypropylene results. EBITDA for the first nine months of 2016 benefited from a \$57 million gain on the sale of our wholly owned Argentine subsidiary in February 2016. EBITDA for the third quarter and first nine months of 2015 included charges related to LCM inventory valuation adjustments of \$79 million and \$101 million, respectively. These LCM adjustments were driven by lower crude oil and heavy liquids prices and their effect on the prices of correlated products.

**Ethylene Raw Materials** Production economics for the industry have favored natural gas liquids ( NGLs ) in recent years. Although the decline in oil prices significantly reduced the cost of ethylene produced from crude oil based liquids ( heavy liquids ) beginning in the latter part of 2014, NGL prices also declined and they continued to be preferred feedstocks. We produced approximately 88% of our U.S. ethylene production from NGLs during each of the third quarters and first nine months of 2016 and 2015. The following table sets forth selected financial information for the O&P Americas segment including Income from equity investments, which is a component of EBITDA.

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

| Millions of dollars                | Three Months Ended |          | Nine Months Ended |          |
|------------------------------------|--------------------|----------|-------------------|----------|
|                                    | September 30,      |          | September 30,     |          |
|                                    | 2016               | 2015     | 2016              | 2015     |
| Sales and other operating revenues | \$ 2,342           | \$ 2,516 | \$ 6,668          | \$ 7,746 |

|                                |     |     |       |       |
|--------------------------------|-----|-----|-------|-------|
| Income from equity investments | 12  | 12  | 54    | 27    |
| EBITDA                         | 682 | 841 | 2,314 | 2,886 |

**Revenues** Revenues for our O&P Americas segment decreased by \$174 million, or 7%, in the third quarter of 2016 compared to the third quarter of 2015 and by \$1,078 million, or 14%, in the first nine months of 2016 compared to the nine months of 2015.

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Average sales prices for olefin co-products and polyolefins declined in the third quarter of 2016 as these prices lagged improvements in underlying feedstock prices that have occurred since July. This led to a revenue decrease of 5% in the third quarter of 2016 relative to the third quarter of 2015. In the third quarter of 2016, product sales volumes were lower due to turnaround activities primarily at our Corpus Christi, Texas and Morris, Illinois facilities. These factors were responsible for a revenue decrease of 2% in the third quarter of 2016.

Average sales prices for ethylene and polyethylene declined in the first nine months of 2016, consistent with feedstock prices that are correlated to the price of crude oil, which declined relative to the first nine months of 2015. These lower average sales prices led to a revenue decrease of 14% in that period. Product sales volumes in the first nine months of 2016 were unchanged as higher olefins volume, supported by an increase in the level of purchases for resale during turnaround activities, were substantially offset by lower polyolefins volumes. The sale of our Argentine subsidiary negatively impacted polyolefin volumes in both 2016 periods.

**EBITDA** EBITDA decreased by \$159 million, or 19%, in the third quarter of 2016 compared to the third quarter of 2015 and by \$572 million, or 20%, in the first nine months of 2016 compared to the first nine months of 2015.

In the third quarter of 2016, olefins and polyethylene volumes were lower primarily as a result of the decline in olefins production due to turnaround activities. The lower volumes were responsible for a decrease in EBITDA of 16%. Polyethylene margins declined approximately 7 cents per pound in the third quarter of 2016 due to higher ethylene feedstock costs and lower average sales price, resulting in an additional 12% decrease in EBITDA during that period. These decreases were offset in part by a 9% EBITDA increase over the prior year period related to the absence of the \$79 million third quarter 2015 LCM adjustment discussed above.

Lower olefin and polyethylene margins in the first nine months of 2016 were partially offset by the impact of higher polypropylene margins. The decline in olefins margins reflected a 5 cents per pound decrease in average ethylene sales prices and an approximate 3 cents per pound increase in the cost of ethylene production driven by lower co-product prices. Polyethylene margins declined 4 cents per pound during this period as the decline in average sales prices outpaced the decline in the cost of ethylene feedstock. The improvement in polypropylene margins in the first nine months of 2016 reflects the benefits of lower propylene feedstock costs and tight market conditions. These margin impacts led to a 13% decrease in EBITDA during the first nine months of 2016. The impact of lower volumes related to lower ethylene production during our turnaround activities contributed to another 13% decline in EBITDA during that period.

These negative impacts were partially offset by a 5% increase in EBITDA related to the absence of the \$101 million unfavorable LCM adjustment recognized in the prior year period and the \$57 million gain on the sale of our Argentine subsidiary recognized in the first nine months of 2016. In addition, an improvement in income from our equity investments over the prior year period contributed a 1% increase to EBITDA in the first nine months of 2016.

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

**Overview** Higher operating results in the third quarter and first nine months of 2016 reflect higher polyolefin margins and in the third quarter of 2016, higher PP compounding results. These benefits were offset in part by lower olefins results and reductions in polyolefins volumes, primarily in Asia and International businesses.

EBITDA in the third quarter and first nine months of 2016 reflects the benefit of \$11 million of gains from the sales of our joint venture in Japan and idled assets in Australia, and in the first nine months of 2016, a \$21 million gain from the first quarter 2016 sale of our wholly owned Argentine subsidiary.



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

| Millions of dollars                | Three Months Ended |          | Nine Months Ended |          |
|------------------------------------|--------------------|----------|-------------------|----------|
|                                    | September 30,      |          | September 30,     |          |
|                                    | 2016               | 2015     | 2016              | 2015     |
| Sales and other operating revenues | \$ 2,634           | \$ 2,932 | \$ 7,933          | \$ 8,904 |
| Income from equity investments     | 67                 | 79       | 232               | 215      |
| EBITDA                             | 584                | 549      | 1,669             | 1,398    |

**Revenues** Revenues decreased by \$298 million, or 10%, in the third quarter of 2016 compared to the third quarter of 2015 and by \$971 million, or 11%, in the first nine months of 2016 compared to the first nine months of 2015.

These declines in revenue are attributable to lower average sales prices in the third quarter and first nine months of 2016. Average sales prices were lower across most products as sales prices generally correlate with crude oil prices, which have declined compared to the third quarter and first nine months of 2015.

Sales volumes in the third quarter and first nine months of 2016 were relatively unchanged.

**EBITDA** EBITDA increased by \$35 million, or 6%, in the third quarter of 2016 compared to the third quarter of 2015 and by \$271 million, or 19%, in the first nine months of 2016 compared to the first nine months of 2015.

An increase in ethylene production volume in the third quarter of 2016 due largely to the absence of turnaround activity in the same period in 2015 was partially offset by lower polyolefins sales volumes during that period, resulting in a 7% improvement in third quarter 2016 EBITDA. Lower olefins margins driven by average ethylene and propylene sales prices that declined more than feedstock costs exceeded the improvement in European polyolefins margins to reduce EBITDA by 2%.

In the first nine months of 2016, higher European polyolefins margins, offset by weaker olefin margins led to a 16% increase in EBITDA. The higher European polyolefins margins in 2016 stemmed from a strong supply/demand balance and lower feedstock costs. This margin improvement was partially offset by a 1% decrease in EBITDA due largely to lower polyolefin volumes in the first nine months of 2016.

EBITDA increased by 3% in each of the third quarter and first nine months of 2016 due to gains associated with the sales of a joint venture, idled assets and our wholly owned Argentine subsidiary and the absence of a 2015 LCM inventory valuation adjustment.

Income from our equity investments led to a 2% decrease in EBITDA in the third quarter of 2016, mainly due to lower volumes, and a 1% increase in EBITDA in the first nine months of 2016.

***Intermediates and Derivatives Segment***

**Overview** Operating results for the third quarter and first nine months of 2016 were lower than the third quarter and first nine months of 2015, with lower margins for most products being partially offset by the impact of higher volumes.

EBITDA for the third quarter and first nine months of 2015 included unfavorable LCM inventory valuation adjustments of \$46 million and \$107 million, respectively, driven by the decline in market prices for many I&D products.

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

| Millions of dollars                | Three Months Ended    |          | Nine Months Ended     |          |
|------------------------------------|-----------------------|----------|-----------------------|----------|
|                                    | September 30,<br>2016 | 2015     | September 30,<br>2016 | 2015     |
| Sales and other operating revenues | \$ 1,805              | \$ 2,039 | \$ 5,276              | \$ 6,116 |
| Income from equity investments     | 2                     | 2        | 3                     | 10       |
| EBITDA                             | 304                   | 460      | 1,027                 | 1,263    |

**Revenues** Revenues decreased by \$234 million, or 11%, in the third quarter of 2016 compared to the third quarter of 2015 and by \$840 million, or 14%, in the first nine months of 2016 compared to the first nine months of 2015.

Lower average sales prices in the third quarter and first nine months of 2016 reflect the impacts of lower crude oil prices, depressed gasoline prices and the weaker value of octane additives. Additional industry supplies also negatively impacted the average sales prices for certain products during the 2016 periods. These lower sales prices were responsible for revenue decreases of 15% and 17% in the third quarter and first nine months of 2016, respectively.

Increases in sales volumes for TBA products and acetyls in the third quarter of 2016 over the corresponding 2015 period, which was negatively impacted by planned outages at our PO/TBA facility in France and acetyls facilities in Channelview, Texas were the main components of a 4% volume-related revenue increase. In the first nine months of 2016, a 3% volume-related revenue increase was driven by lower 2016 planned outages in most I&D businesses relative to the same period in 2015.

**EBITDA** EBITDA decreased \$156 million, or 34%, in the third quarter of 2016 compared to the third quarter of 2015 and by \$236 million, or 19%, in the first nine months of 2016 compared to the first nine months of 2015.

Lower margins in all I&D businesses resulted in decreases to EBITDA of 52% and 34%, respectively, in the third quarter and first nine months of 2016. Weaker gasoline markets drove lower TBA product values relative to butane feedstock costs, and lower product prices in our PO&D and intermediate chemicals businesses were driven largely by increased industry supplies. Lower income from our equity investments in the first nine months of 2016 also resulted in a decrease of EBITDA of 1% in that period.

EBITDA increases of 8% related to higher volumes in each of the third quarter and first nine months of 2016, partially offset the decreases to EBITDA related to the margin impacts discussed above.

EBITDA in the third quarter and first nine months of 2016 also reflected increases of 10% and 8%, respectively, related to the absence of the LCM inventory valuation adjustments recognized in the 2015 comparison periods.

**Refining Segment**

**Overview** Results for our Refining segment in the third quarter and first nine months of 2016 were significantly lower compared to the third quarter and first nine months of 2016 due to planned and unplanned production outages.

EBITDA for the third quarter and first nine months of 2015 include a \$50 million non-cash LCM inventory valuation adjustment driven by a decline in crude oil prices.



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The following table sets forth selected financial information and heavy crude oil processing rates for the Refining segment and the U.S. refining market margins for the applicable periods. Light Louisiana Sweet, or LLS is a light, sweet crude oil, while Maya is a heavy, sour crude oil. References to industry benchmarks for refining market margins are to industry prices reported by Platts, a reporting service of The McGraw-Hill Companies.

| Millions of dollars                                        | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|------------------------------------------------------------|-------------------------------------|----------|------------------------------------|----------|
|                                                            | 2016                                | 2015     | 2016                               | 2015     |
| Sales and other operating revenues                         | \$ 1,330                            | \$ 1,693 | \$ 3,574                           | \$ 5,402 |
| EBITDA                                                     | (10)                                | 93       | (9)                                | 401      |
| Heavy crude processing rates, thousands of barrels per day | 209                                 | 249      | 192                                | 248      |
| <b>Market margins, dollars per barrel</b>                  |                                     |          |                                    |          |
| Light crude oil 2-1-1                                      | \$ 11.46                            | \$ 15.29 | \$ 10.58                           | \$ 15.58 |
| Light crude Maya differential                              | 7.52                                | 7.48     | 8.74                               | 7.97     |
| Total Maya 2-1-1                                           | \$ 18.98                            | \$ 22.77 | \$ 19.32                           | \$ 23.55 |

**Revenues** Revenues decreased by \$363 million, or 21%, in the third quarter of 2016 compared to the third quarter of 2015 and by \$1,828 million, or 34%, in the first nine months of 2016 compared to the first nine months of 2015.

The average per barrel price of benchmark Maya crude oil declined approximately \$3.75 and \$13 in the third quarter and first nine months of 2016, respectively, compared to the same periods in 2015. Major refined product prices declined due both to lower crude oil prices and to weakness relative to crude oil. For the third quarter of 2016, declines in the per barrel prices of gasoline and distillates of approximately \$9 and \$6, respectively, were the main factors in a 15% price-related revenue decline relative to the same period last year. A 24% price-related revenue decline in the first nine months of 2016 versus the corresponding prior year period reflected per barrel price declines of approximately \$16.50 and \$17.50 for gasoline and distillates, respectively.

Processing rates in the third quarter and first nine months of 2016 were lower relative to the comparable periods in 2015 due to processing limits resulting from several unplanned outages, including a coker unit fire early in the second quarter of 2016, downtime at crude units with reduced processing in both periods and several utility interruptions in the third quarter of 2016. Planned turnaround activity on a crude unit and a coker unit processing train in the first quarter of 2016 also contributed to lower throughput for the first nine months of 2016. These lower processing rates led to revenue decreases of 6% and 10% in the third quarter and first nine months of 2016.

**EBITDA** EBITDA decreased by \$103 million, or 111%, in the third quarter of 2016 compared to the third quarter of 2015 and by \$410 million, or 102%, in the first nine months of 2016 compared to the first nine months of 2015.

Declines in refining margins in the third quarter and first nine months of 2016 led to decreases in EBITDA of 123% and 74%, respectively. The Maya 2-1-1 benchmark refining spread declined by approximately \$3.75 and \$4.25 per barrel in the third quarter and first nine months, respectively, relative to the third quarter and first nine months of 2015. These decreases were driven by per barrel declines of approximately \$5.60 and \$4.50 in gasoline spreads in the third quarter and first nine months of 2016, respectively, and by approximately \$2.10 and \$5.50 in diesel spreads. Wider differentials between Maya crude and light crude oils partially offset these declines in product spreads. The

operating issues that drove lower crude throughput in 2016 also negatively impacted margins due to a less favorably priced crude oil mix and higher variable costs per barrel.

Lower production stemming from a reduction in average heavy crude oil processing rates relative to the corresponding periods of 2015 led to decreases in EBITDA in the third quarter and first nine months of 2016 of 42% and 41%, respectively. These reduced rates were attributable to the unplanned outages, crude unit operating limitations and planned turnaround activities discussed above.

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The absence of the \$50 million LCM inventory valuation adjustment recognized in the 2015 comparison periods, resulted in increases in EBITDA of 54% and 13% in the third quarter and first nine months of 2016, respectively.

**Other** The Company currently is exploring its options relating to its Houston Refinery. As the Company has previously stated, we believe the Houston Refinery may be more valuable to others. To that end, we have engaged an investment bank to assist us in a process to explore our alternatives. Any sale of the Houston Refinery would be subject to the approval of our Supervisory Board and, assuming such approval is obtained, certain regulatory approvals and customary closing conditions. No decisions by our Supervisory Board with respect to a sale have been made.

***Technology Segment***

**Overview** The Technology segment recognizes revenues related to the sale of polyolefin catalysts, licensing of chemical, polyolefin and other process technologies and associated engineering and other services.

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

| Millions of dollars                | Three Months Ended    |                       | Nine Months Ended     |                       |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                    | September 30,<br>2016 | September 30,<br>2015 | September 30,<br>2016 | September 30,<br>2015 |
| Sales and other operating revenues | \$ 102                | \$ 100                | \$ 363                | \$ 343                |
| EBITDA                             | 45                    | 45                    | 201                   | 178                   |

**Revenues** Revenues were relatively unchanged in the third quarter of 2016 compared to the third quarter of 2015 and increased by \$20 million, or 6%, in the first nine months of 2016 compared to the first nine months of 2015.

Higher average catalyst sales prices and an increase in revenues recognized on process licenses each led to a 3% revenue increase in the first nine months of 2016.

**EBITDA** EBITDA was unchanged in the third quarter of 2016 compared to the third quarter of 2015 and increased by \$23 million, or 13%, in the first nine months of 2016 compared to the first nine months of 2015.

In the third quarter of 2016, improved catalyst results substantially offset lower licensing and services revenue during that period. Improved catalyst margins and an increase in licensing and services revenue led to a 13% EBITDA increase in the first nine months of 2016.

**Table of Contents****FINANCIAL CONDITION**

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

| <b>Millions of dollars</b>  | <b>Nine Months<br/>Ended<br/>September 30,</b> |             |
|-----------------------------|------------------------------------------------|-------------|
|                             | <b>2016</b>                                    | <b>2015</b> |
| Source (use) of cash:       |                                                |             |
| Operating activities        | \$ 3,893                                       | \$ 4,682    |
| Investing activities        | (1,527)                                        | (1,103)     |
| Financing activities        | (2,567)                                        | (3,106)     |
| <b>Operating Activities</b> |                                                |             |

*2016* Cash of \$3,893 million generated in the first nine months of 2016 primarily reflected earnings adjusted for non-cash items and cash used by the main components of working capital – accounts receivable, inventories and accounts payable. The non-cash items in 2016 included a \$78 million gain related to the sale of our wholly owned Argentine subsidiary with adjustments for related working capital and gains totaling \$11 million related to sales of our joint venture in Japan and idled assets in Australia.

The main components of working capital consumed cash of \$226 million during the first nine months of 2016. Higher product sales prices in our O&P Americas segment in the third quarter of 2016 combined with the impact of higher third quarter 2016 sales volumes in our O&P Americas and I&D segments relative to the fourth quarter of 2015 led to the increase in accounts receivable. Higher accounts payable partly offset the receivables increases, primarily in our O&P Americas segment, due to additional purchases of product for resale during turnaround activities.

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

The main components of working capital consumed cash of \$105 million during the first nine months of 2015. The lower cost of crude oil and other feedstocks led to the decrease in accounts payable. Lower product pricing in our O&P Americas, I&D and refining segments stemming from the decline in crude oil prices contributed to the decrease in accounts receivable

**Investing Activities** We used cash of \$1,527 million and \$1,103 million in investing activities in the first nine months of 2016 and 2015, respectively.

We invest cash in investment-grade and other high quality instruments that provide adequate flexibility to redeploy funds as needed to meet our cash flow requirements while maximizing yield. In the first nine months of 2016 and 2015, we invested \$607 million and \$1,723 million, respectively, in securities that are classified as Short-term investments. The majority of these investments are deemed available-for-sale; however, in September 2016, we also invested in additional securities deemed held-to-maturity. We also invested \$500 million and \$397 million in tri-party repurchase agreements in the first nine months of 2016 and 2015, respectively. These investments are classified as short-term loans receivable. We received proceeds upon the sale and maturity of certain of our available-for-sale securities and repurchase agreements of \$665 million and \$603 million, respectively, in the first nine months of 2016

and \$1,638 million and \$300 million, respectively, in the corresponding period of 2015.

In September 2015, we entered into 850 million of cross-currency floating-to-floating interest rate swaps designated as net investment hedges of our investments in foreign subsidiaries. Payments to and proceeds from our counterparties upon settlement of 450 million of these basis swaps following their expiration in September 2016 resulted in a net cash outflow of \$6 million.

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In December 2015, we entered into 750 million (\$795 million) of forward exchange contracts, which were designated as net investment hedges of our investments in foreign subsidiaries. Payments to and proceeds from our counterparties upon settlement of these forward exchange contracts following their expiration in March 2016 resulted in a net cash outflow of \$55 million. We received net cash proceeds of \$137 million for the sale of our wholly owned Argentine subsidiary in February 2016 and \$72 million for the sale of our joint venture in Japan. In September 2016, we purchased a net additional 7.41% interest in our joint venture in Korea for \$36 million.

See Note 7 to the Consolidated Financial Statements for additional information regarding these investments.

The following table summarizes capital expenditures for the periods presented:

| Millions of dollars                                        | Nine Months Ended     |        |
|------------------------------------------------------------|-----------------------|--------|
|                                                            | September 30,<br>2016 | 2015   |
| <b>Capital expenditures by segment:</b>                    |                       |        |
| O&P Americas                                               | \$ 1,026              | \$ 448 |
| O&P EAI                                                    | 189                   | 114    |
| I&D                                                        | 246                   | 287    |
| Refining                                                   | 179                   | 84     |
| Technology                                                 | 24                    | 16     |
| Other                                                      | 12                    | 8      |
| Consolidated capital expenditures of continuing operations | \$ 1,676              | \$ 957 |

In the first nine months of 2016 and 2015, our capital expenditures included debottlenecks of certain assets to enhance production, turnaround activities and expansion projects at several sites as well as other plant improvement projects and railcar purchases. The increased level of capital expenditures for our O&P Americas, O&P EAI and Refining segments in the first nine months of 2016 was largely due to debottleneck and turnaround activities.

**Financing Activities** In the first nine months of 2016 and 2015, our financing activities used cash of \$2,567 million and \$3,106 million, respectively.

In the first nine months of 2016 and 2015, we made payments of \$2,501 million and \$3,436 million, respectively, to acquire approximately 31 million and 39 million, respectively, of our outstanding ordinary shares. We also made dividend payments totaling \$1,049 million and \$1,063 million during the first nine months of 2016 and 2015, respectively. For additional information related to these share repurchases and dividend payments, see Note 12 to the Consolidated Financial Statements.

We received net proceeds of \$177 million and \$231 million in the first nine months of 2016 and 2015, respectively, through the issuance and repurchase of commercial paper instruments under our commercial paper program.

In March 2016, we issued 750 million of 1.875% guaranteed notes due 2022 and received net proceeds of \$812 million. The net proceeds from these notes were used for general corporate purposes, including repurchases of LyondellBasell N.V.'s ordinary shares.

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

**Liquidity and Capital Resources** As of September 30, 2016, we had \$1,830 million of unrestricted cash and cash equivalents and marketable securities classified as Short-term investments. We also held \$296 million of tri-party repurchase agreements classified as Other current assets at September 30, 2016. For additional information related to our purchases of marketable securities, which currently include certificates of deposit, commercial paper, bonds and limited partnership investments, and our investments in tri-party repurchase agreements, see Investing Activities above and Note 7 to the Consolidated Financial Statements.

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At September 30, 2016, we held \$494 million of cash in jurisdictions outside of the U.S., principally in the United Kingdom. There are currently no material legal or economic restrictions that would impede our transfers of cash.

We also had total unused availability under our credit facilities of \$2,725 million at September 30, 2016, which included the following:

\$1,990 million under our \$2,500 million revolving credit facility, which backs our \$2,500 million commercial paper program. Availability under this facility is net of outstanding borrowings, outstanding letters of credit provided under the facility and notes issued under our commercial paper program. A small portion of our availability under this facility is impacted by changes in the euro/U.S. dollar exchange rate. At September 30, 2016, we had \$500 million of outstanding commercial paper, no outstanding letters of credit and no outstanding borrowings under the facility; and

\$735 million under our \$900 million U.S. accounts receivable securitization facility. Availability under this facility is subject to a borrowing base of eligible receivables, which is reduced by outstanding borrowings and letters of credit, if any. This facility had no outstanding borrowings or letters of credit at September 30, 2016.

Our 450 million European receivables securitization facility expired in April 2016.

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

At September 30, 2016, we had total debt, including current maturities, of \$9,088 million. We also had \$476 million of outstanding letters of credit and bank guarantees issued under uncommitted credit facilities at September 30, 2016.

In June 2016, the term of our existing \$2,000 million revolving credit facility was extended for one year to June 2021 pursuant to a consent agreement. We also amended the revolving credit facility in June 2016 to increase its size from \$2,000 million to \$2,500 million. All other material terms of the agreement remained unchanged.

In connection with the increase of our revolving credit facility, we increased the size of our commercial paper program to permit the issuance of unsecured short-term promissory (commercial paper) notes in an aggregate amount not to exceed \$2,500 million. At September 30, 2016, we had \$500 million of commercial paper outstanding.

In March 2016, we issued 750 million of 1.875% guaranteed notes due 2022 at a discounted price of 99.607%. Proceeds from these notes were used for general corporate purposes, including repurchases of our ordinary shares.

The notes may be redeemed before the date that is three months prior to the scheduled maturity date at a redemption price equal to the greater of 100% of the principal amount of the notes redeemed and the sum of the present values of the remaining scheduled payments of principal and interest (discounted at the applicable Comparable Government Bond Rate plus 35 basis points) on the notes to be redeemed. The notes may also be redeemed on or after the date that is three months prior to the final maturity date of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest. The notes are also redeemable upon certain tax events.

For additional information related to our credit facilities and Notes discussed above, see Note 6 to the Consolidated Financial Statements.

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In July 2016, we announced plans to build a new high density polyethylene plant at La Porte, Texas. The plant, which will have an annual capacity of 1.1 billion pounds, is expected to start up in 2019.

In May 2016, our shareholders approved a proposal to authorize us to repurchase up to an additional 10%, or approximately 42.5 million of our shares outstanding over the following eighteen months. Our share repurchase program does not have a stated dollar amount, and purchases may be made through open market purchases, private market transactions or other structured transactions. Repurchased shares could be retired or used for general corporate purposes, including for various employee benefit and compensation plans. As of September 30, 2016, we have purchased approximately 16 million shares under this program for approximately \$1,251 million. As of October 27, 2016, we had approximately 25 million shares remaining under the current authorization. The timing and amount of additional shares repurchased will be determined by our Management Board based on its evaluation of market conditions and other factors. For additional information related to our share repurchase programs, see Note 12 to the Consolidated Financial Statements.

In September 2016, we received proceeds of \$72 million from the sale of our joint venture in Japan. Also in September 2016, we purchased a net additional 7.41% interest in our joint venture in Korea for \$36 million. In February 2016, we received net proceeds of \$137 million from the sale of our wholly owned Argentine subsidiary.

We may repay or redeem our debt, including purchases of our outstanding bonds in the open market, using cash on hand, cash from operating activities, proceeds from the issuance of debt, proceeds from asset divestitures, or a combination thereof. In connection with any repayment or redemption of our debt, we may incur cash and non-cash charges, which could be material in the period in which they are incurred. We currently intend to refinance certain outstanding debt, subject to market conditions, in the fourth quarter of 2016. Our current analyses indicate that the refinancing may result in charges of approximately \$130 million based on current market conditions. The actual costs will depend on several factors, including interest rates and market conditions if and when the refinancing occurs.

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

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

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

## **CURRENT BUSINESS OUTLOOK**

During October, global olefin and polyolefin industry conditions have remained favorable. We expect the upcoming winter months to bring typical seasonal slowing in certain businesses. In the fourth quarter of this year, we expect to complete the turnarounds affecting our olefin and polyolefin assets, ending a period of significant planned maintenance and associated downtime. The impact of downtime related to these turnaround activities has the potential to negatively impact our fourth quarter results by \$75 million to \$100 million. Our planned maintenance schedule in 2017 is expected to be much lighter than 2016. We believe we will be positioned in 2017 to benefit from our investment in system upgrades, reliability and expansions.



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**CRITICAL ACCOUNTING POLICIES**

*Inventory* In the first quarter of 2016, we recorded an LCM inventory valuation adjustment of \$68 million as certain product prices fell in line with the declines in hydrocarbon prices and other correlated products. The primary contributors to the LCM inventory valuation adjustment were market price declines for several of our polyolefins products and for naphtha, benzene and styrene. Representative prices used in the calculation of the LCM inventory valuation adjustment included \$360 per metric ton for naphtha, \$1,012 per metric ton for styrene, and \$1.77 per gallon for benzene. This adjustment was reversed in full in the second quarter of 2016 following the recovery of prices.

Several of our LIFO inventory pools are currently at-risk for further adjustment as each impacted LIFO pool is at, or close to, the calculated market value at the last balance sheet measurement date. As of September 30, 2016, at-risk inventory accounted for \$2.6 billion of the total carrying value of our \$4.0 billion of inventory. The extent to which further adjustment may occur is dependent on the pool specific product prices and composition within each individual dollar value LIFO pool at the balance sheet date. Sustained price declines in our finished goods and raw materials could result in future LCM inventory valuation charges during the remainder of 2016.

**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 that these statements are not guarantees of future performance as they involve assumptions that, while made in good faith, may prove to be incorrect, and involve risks and uncertainties we cannot predict. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecast in the forward-looking statements. Any differences could result from a variety of factors, including the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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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, 2015. Our exposure to such risks has not changed materially in the nine months ended September 30, 2016.

**Item 4. CONTROLS AND PROCEDURES**

As of September 30, 2016 with the participation of our management, our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal financial officer) carried out an evaluation, pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the Act), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Act). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were operating effectively as of September 30, 2016.

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

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

Information regarding our litigation and other legal proceedings can be found in Note 10, *Commitments and Contingencies*, to the Consolidated Financial Statements, which is incorporated into this Item 1 by reference.

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

In April 2016, the EPA issued a Notice of Violation to Houston Refining LP arising from a 2014 inspection. The EPA alleged the production of fuel with excess sulfur and the failure to retire sufficient sulfur credits. We have reached a tentative settlement and expect to complete the documentation of the settlement in the fourth quarter of 2016.

Additional information about such environmental proceedings can be found in Part I, Item 3 of our 2015 Annual Report on Form 10-K, which is incorporated into this Item 1 by reference.

**Item 1A. RISK FACTORS**

There have been no material changes from the risk factors disclosed in Item 1A of our 2015 Annual Report on Form 10-K.

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

| Issuer Purchases of Equity Securities |              |                                        |                                 |                                                                                                        |                                                                                                |
|---------------------------------------|--------------|----------------------------------------|---------------------------------|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Period                                |              | Total Number<br>of Shares<br>Purchased | Average Price<br>Paid per Share | Total Number of<br>Shares Purchased<br>as Part of Publicly<br>Announced<br>Plans<br>or Programs<br>(1) | Maximum Number<br>of Shares That May Yet<br>Be Purchased Under the<br>Plans or<br>Programs (1) |
|                                       |              |                                        |                                 |                                                                                                        |                                                                                                |
| July 1                                | July 31      | 4,321,310                              | \$ 77.03                        | 4,321,310                                                                                              | 32,359,979                                                                                     |
| August 1                              | August 31    | 4,045,353                              | \$ 76.24                        | 4,045,353                                                                                              | 28,314,626                                                                                     |
| September 1                           | September 30 | 1,886,860                              | \$ 77.92                        | 1,886,860                                                                                              | 26,427,766                                                                                     |
| Total                                 |              | 10,253,523                             | \$ 76.88                        | 10,253,523                                                                                             | 26,427,766                                                                                     |

- (1) On May 13, 2016, we announced a share repurchase program of up to 42,518,980 of our ordinary shares through November 13, 2017. The maximum number of shares that may yet be purchased is not necessarily an indication of the number of shares that will ultimately be purchased.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

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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                                                                 |
| 101.INS | XBRL Instance Document                                                                                            |
| 101.SCH | XBRL Schema Document                                                                                              |
| 101.CAL | XBRL Calculation Linkbase Document                                                                                |
| 101.DEF | XBRL Definition Linkbase Document                                                                                 |
| 101.LAB | XBRL Labels Linkbase Document                                                                                     |
| 101.PRE | XBRL Presentation Linkbase Document                                                                               |

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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, 2016

*/s/ Thomas Aebischer*  
Thomas Aebischer  
Executive Vice President and  
Chief Financial Officer  
(*Principal Financial Officer*)