

LyondellBasell Industries N.V.

Form 10-Q

April 29, 2014

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

**(Mark One)**

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

**For the quarterly period ended March 31, 2014**

**or**

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

**For the transition period from to**

Commission file number: **001-34726**

**LYONDELLBASELL INDUSTRIES N.V.**

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

**The Netherlands**

**98-0646235**

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

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

**1221 McKinney St.,  
Suite 300**

**4<sup>th</sup> Floor, One Vine Street**

**Stationsplein 45**

**London**

**3013 AK Rotterdam**

**Houston, Texas**

**W1J0AH**

**The Netherlands**

**USA 77010**

**The United Kingdom**

*(Addresses of registrant's principal executive offices)*

**(713) 309-7200**

**+44 (0) 207 220 2600**

**+31 (0)10 275 5500**

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

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

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

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

The registrant had 527,295,260 ordinary shares, 0.04 par value, outstanding at April 25, 2014 (excluding 51,136,755 treasury shares).

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**LYONDELLBASELL INDUSTRIES N.V.**

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

| Millions of dollars, except earnings per share                               | Three Months Ended<br>March 31, |           |
|--|---------------------------------|-----------|
|  | 2014                            | 2013      |
| <b>Sales and other operating revenues:</b>                                   |                                 |           |
| Trade  | \$ 10,918                       | \$ 10,414 |
| Related parties  | 217                             | 255       |
|  | 11,135                          | 10,669    |
| <b>Operating costs and expenses:</b>   |                                 |           |
| Cost of sales  | 9,577                           | 9,153     |
| Selling, general and administrative expenses                                 | 186                             | 213       |
| Research and development expenses  | 32                              | 36        |
|  | 9,795                           | 9,402     |
| <b>Operating income</b>  | 1,340                           | 1,267     |
| Interest expense   | (92)                            | (71)      |
| Interest income  | 6                               | 2         |
| Other income, net  | 11                              | 6         |
| Income from continuing operations before equity investments and income taxes | 1,265                           | 1,204     |
| Income from equity investments   | 61                              | 59        |
| Income from continuing operations before income taxes                        | 1,326                           | 1,263     |
| Provision for income taxes   | 383                             | 357       |
| Income from continuing operations  | 943                             | 906       |
| Income (loss) from discontinued operations, net of tax                       | 1                               | (6)       |
| Net income   | 944                             | 900       |
| Net loss attributable to non-controlling interests                           | 1                               | 1         |
| Net income attributable to the Company shareholders                          | \$ 945                          | \$ 901    |
| <b>Earnings per share:</b>   |                                 |           |
| <b>Net income (loss) attributable to the Company shareholders</b>            |                                 |           |
| Basic:   |                                 |           |

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|                         |    |      |    |        |
|-------------------------|----|------|----|--------|
| Continuing operations   | \$ | 1.73 | \$ | 1.57   |
| Discontinued operations |    | --   |    | (0.01) |
|                         | \$ | 1.73 | \$ | 1.56   |
| Diluted:                |    |      |    |        |
| Continuing operations   | \$ | 1.72 | \$ | 1.56   |
| Discontinued operations |    | --   |    | (0.01) |
|                         | \$ | 1.72 | \$ | 1.55   |

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<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2014</b>                             | <b>2013</b> |
| Net income  | \$ 944                                  | \$ 900      |
| Other comprehensive income, net of tax  |   |             |
| Financial derivatives:  |   |             |
| Loss on forward interest rate swaps   | (17)                                    | --          |
| Income tax benefit  | (4)                                     | --          |
| Financial derivatives, net of tax   | (13)                                    | --          |
| Defined pension and other postretirement benefit plans:                                   |   |             |
| Prior service cost arising during the period  | --                                      | (2)         |
| Reclassification adjustment for amortization of prior service cost included in net income | 1                                       | 1           |
| Net actuarial loss arising during the period  | (16)                                    | --          |
| Reclassification adjustment for net actuarial loss included in net income                 | 3                                       | 7           |
| Defined pension and other postretirement benefit plans, before tax                        | (12)                                    | 6           |
| Income tax expense (benefit)  | (9)                                     | 3           |
| Defined pension and other postretirement benefit plans, net of tax                        | (3)                                     | 3           |
| Foreign currency translations adjustment:   |   |             |
| Unrealized net change arising during the period   | 18                                      | (193)       |
| Income tax benefit  | --                                      | (2)         |
| Foreign currency translations, net of tax   | 18                                      | (191)       |
| Total other comprehensive income (loss)   | 2                                       | (188)       |
| Comprehensive income  | 946                                     | 712         |
| Comprehensive loss attributable to non-controlling interests                              | 1                                       | 1           |
| Comprehensive income attributable to the Company shareholders                             | \$ 947                                  | \$ 713      |

See Notes to the Consolidated Financial Statements.

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

| <b>Millions of dollars</b>                  | <b>March 31,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|---|---------------------------|------------------------------|
| <b>ASSETS</b>                               |                           |                              |
| Current assets:                             |                           |                              |
| Cash and cash equivalents                   | \$ 2,702                  | \$ 4,450                     |
| Restricted cash                             | 3                         | 10                           |
| Short-term investments                      | 1,402                     | --                           |
| Accounts receivable:                        |                           |                              |
| Trade, net                                  | 3,893                     | 3,828                        |
| Related parties                             | 248                       | 202                          |
| Inventories                                 | 5,589                     | 5,279                        |
| Prepaid expenses and other current assets   | 1,156                     | 830                          |
| <b>Total current assets</b>                 | <b>14,993</b>             | <b>14,599</b>                |
| Property, plant and equipment at cost       | 11,453                    | 11,151                       |
| Less: Accumulated depreciation              | (2,897)                   | (2,694)                      |
| Property, plant and equipment, net          | 8,556                     | 8,457                        |
| Investments and long-term receivables:      |                           |                              |
| Investment in PO joint ventures             | 424                       | 421                          |
| Equity investments                          | 1,693                     | 1,629                        |
| Other investments and long-term receivables | 62                        | 64                           |
| Goodwill                                    | 605                       | 605                          |
| Intangible assets, net                      | 870                       | 904                          |
| Other assets                                | 624                       | 619                          |
| <b>Total assets</b>                         | <b>\$ 27,827</b>          | <b>\$ 27,298</b>             |

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>March 31,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|---|---------------------------|------------------------------|
| <b>LIABILITIES AND EQUITY</b>   |                           |                              |
| Current liabilities:  |                           |                              |
| Current maturities of long-term debt  | \$ 3                      | \$ 1                         |
| Short-term debt   | 58                        | 58                           |
| Accounts payable:   |                           |                              |
| Trade   | 2,816                     | 2,822                        |
| Related parties   | 826                       | 750                          |
| Accrued liabilities   | 1,477                     | 1,299                        |
| Deferred income taxes   | 540                       | 580                          |
| Total current liabilities   | 5,720                     | 5,510                        |
| Long-term debt  | 6,766                     | 5,776                        |
| Other liabilities   | 1,838                     | 1,839                        |
| Deferred income taxes   | 1,677                     | 1,659                        |
| Commitments and contingencies   |                           |                              |
| Stockholders' equity:   |                           |                              |
| Ordinary shares, 0.04 par value, 1,275 million shares authorized,<br>533,877,601 and 548,824,138 shares outstanding, respectively | 31                        | 31                           |
| Additional paid-in capital  | 10,385                    | 10,382                       |
| Retained earnings   | 4,622                     | 4,004                        |
| Accumulated other comprehensive income  | 98                        | 96                           |
| Treasury stock, at cost, 44,554,414 and 29,607,877 ordinary shares,<br>respectively   | (3,345)                   | (2,035)                      |
| Total Company share of stockholders' equity   | 11,791                    | 12,478                       |
| Non-controlling interests   | 35                        | 36                           |
| Total equity  | 11,826                    | 12,514                       |
| Total liabilities and equity  | \$ 27,827                 | \$ 27,298                    |

See Notes to the Consolidated Financial Statements.



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

| <b>Millions of dollars</b>  | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2014</b>                             | <b>2013</b> |
| <b>Cash flows from operating activities:</b>                                      |   |             |
| Net income  | \$ 944                                  | \$ 900      |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |             |
| Depreciation and amortization   | 256                                     | 253         |
| Amortization of debt-related costs  | 9                                       | 6           |
| Equity investments  |   |             |
| Equity income   | (61)                                    | (59)        |
| Distributions of earnings   | --                                      | 9           |
| Changes in assets and liabilities that provided (used) cash:                      |   |             |
| Accounts receivable   | (105)                                   | (22)        |
| Inventories   | (305)                                   | (242)       |
| Accounts payable  | 91                                      | (17)        |
| Prepaid expenses and other current assets   | (108)                                   | (115)       |
| Other, net  | 80                                      | 86          |
| Net cash provided by operating activities   | 801                                     | 799         |
| <b>Cash flows from investing activities:</b>                                      |   |             |
| Purchases of securities and other investments                                     | (1,672)                                 | --          |
| Expenditures for property, plant and equipment                                    | (343)                                   | (391)       |
| Restricted cash   | 7                                       | (1)         |
| Other   | (3)                                     | (16)        |
| Net cash used in investing activities   | (2,011)                                 | (408)       |
| <b>Cash flows from financing activities:</b>                                      |   |             |
| Repurchases of Company ordinary shares  | (1,201)                                 | --          |
| Dividends paid  | (327)                                   | (229)       |
| Issuance of long-term debt  | 992                                     | --          |
| Payments of debt issuance costs   | (18)                                    | --          |
| Other, net  | 4                                       | (5)         |
| Net cash used in financing activities   | (550)                                   | (234)       |
| Effect of exchange rate changes on cash   | 12                                      | (10)        |
| <b>Increase (decrease) in cash and cash equivalents</b>                           | <b>(1,748)</b>                          | <b>147</b>  |

|  |          |          |
|--|----------|----------|
| Cash and cash equivalents at beginning of period | 4,450    | 2,732    |
| Cash and cash equivalents at end of period       | \$ 2,702 | \$ 2,879 |

See Notes to the Consolidated Financial Statements.

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

|   | <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/>Income</b> | <b>Company<br/>Share of<br/>Stockholder<br/>Equity</b> | <b>Non-<br/>Controlling<br/>Interests</b> |
|---|----------------------------|-----------------|---|------------------------------|---|--|---|
| <b>Millions of dollars</b>                | <b>Issued</b>              | <b>Treasury</b> |   |                              |   |  |   |
| Balance, December 31, 2013                | \$ 31                      | \$ (2,035)      | \$ 10,382                                 | \$ 4,004                     | \$ 96   | \$ 12,478  | \$ 36                                     |
| Net income (loss)                         | - -                        | - -             | - -                                       | 945                          | - -   | 945  | (1)                                       |
| Other comprehensive income                | - -                        | - -             | - -                                       | - -                          | 2   | 2  | - -                                       |
| Share-based compensation                  | - -                        | 4               | 3   | - -                          | - -   | 7  | - -                                       |
| Dividends (\$0.60 per share)              | - -                        | - -             | - -                                       | (327)                        | - -   | (327)  | - -                                       |
| Repurchases of Company ordinary<br>shares | - -                        | (1,314)         | - -                                       | - -                          | - -   | (1,314)  | - -                                       |
| Balance, March 31, 2014                   | \$ 31                      | \$ (3,345)      | \$ 10,385                                 | \$ 4,622                     | \$ 98   | \$ 11,791  | \$ 35                                     |

See Notes to the Consolidated Financial Statements.

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**LYONDELLBASELL INDUSTRIES N.V.**

**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 the production of polymers. Unless otherwise indicated, the Company, we, us, our or similar words are used to refer to LyondellBasell N.V.

The accompanying Consolidated Financial Statements are unaudited and have been prepared from the books and records of LyondellBasell N.V. in accordance with the instructions to Form 10-Q and Rule 10-1 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States ("U.S. GAAP") for complete financial statements. In our opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2013.

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

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

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

**Accounting Guidance Issued But Not Adopted as of March 31, 2014**

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

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

Additional disclosures about the assets, liabilities, income and expenses of discontinued operations will also be required. Prospective application of this ASU is required for public entities for annual and interim periods beginning on or after December 15, 2014. Early adoption is permitted. The application of this amendment will not have an impact on the presentation of our Consolidated Financial Statements.

**3. Discontinued Operations**

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

| Millions of dollars                                    | Three Months Ended<br>March 31, |        |
|--|---------------------------------|--------|
|  | 2014                            | 2013   |
| Sales and other operating revenues                     | \$ 1                            | \$ 5   |
| Loss from discontinued operations before income taxes  | \$ -                            | \$ (6) |
| Benefit from income taxes                              | (1)                             | -      |
| Income (loss) from discontinued operations, net of tax | \$ 1                            | \$ (6) |

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

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

| Millions of dollars | Three Months Ended<br>March 31, |      |
|---------------------|---------------------------------|------|
|                     | 2014                            | 2013 |

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|                                 |    |     |    |      |
|---------------------------------|----|-----|----|------|
| Beginning balance               | \$ | 42  | \$ | 59   |
| Accretion expense               |    | 1   |    | 2    |
| Cash payments                   |    | (4) |    | (10) |
| Effect of exchange rate changes |    | - - |    | (2)  |
| Ending balance                  | \$ | 39  | \$ | 49   |

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



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

Our allowance for doubtful accounts receivable, which is reflected in the Consolidated Balance Sheets as a reduction of accounts receivable, totaled \$34 million and \$43 million at March 31, 2014 and December 31, 2013, respectively.

**5. Inventories**

Inventories consisted of the following components:

| Millions of dollars        | March 31,<br>2014 | December 31,<br>2013 |
|----------------------------|-------------------|----------------------|
| Finished goods             | \$ 3,544          | \$ 3,297             |
| Work-in-process            | 278               | 253                  |
| Raw materials and supplies | 1,767             | 1,729                |
| Total inventories          | \$ 5,589          | \$ 5,279             |

**6. Debt**

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

| Millions of dollars   | March 31,<br>2014 | December 31,<br>2013 |
|---|-------------------|----------------------|
| Senior Notes due 2019, \$2,000 million, 5.0%                                  | \$ 2,000          | \$ 2,000             |
| Senior Notes due 2021, \$1,000 million, 6.0%                                  | 1,000             | 1,000                |
| Senior Notes due 2024, \$1,000 million, 5.75%                                 | 1,000             | 1,000                |
| Guaranteed Notes due 2044, \$1,000 million, 4.875% (\$12 million of discount) | 988               | - -                  |
| Guaranteed Notes due 2023, \$750 million, 4% (\$9 million of discount)        | 741               | 740                  |
| Guaranteed Notes due 2043, \$750 million, 5.25% (\$22 million of discount)    | 728               | 728                  |
| Guaranteed Notes due 2027, \$300 million, 8.1%                                | 300               | 300                  |
| Other   | 12                | 9                    |
| Total   | 6,769             | 5,777                |
| Less current maturities   | (3)               | (1)                  |

|                |    |       |    |       |
|----------------|----|-------|----|-------|
| Long-term debt | \$ | 6,766 | \$ | 5,776 |
|----------------|----|-------|----|-------|

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

| Millions of dollars                                      | March 31,<br>2014 | December 31,<br>2013 |
|--|-------------------|----------------------|
| \$2,000 million Senior Revolving Credit Facility         | \$ -              | \$ -                 |
| \$1,000 million U.S. Receivables Securitization Facility | -                 | -                    |
| 450 million European Receivables Securitization Facility | -                 | -                    |
| Financial payables to equity investees                   | 9                 | 9                    |
| Precious metal financings                                | 48                | 48                   |
| Other  | 1                 | 1                    |
| Total short-term debt                                    | \$ 58             | \$ 58                |

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**LYONDELLBASELL INDUSTRIES N.V.**

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

*Long-Term Debt*

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

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

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

The notes may be redeemed before the date that is six months prior to the scheduled maturity date at a redemption price equal to the greater of 100% of the principal amount of the notes redeemed and the sum of the present values of the remaining scheduled payments of principal and interest (discounted at the applicable Treasury Yield plus 20 basis points) on the notes to be redeemed. The notes may also be redeemed on or after the date that is six months prior to the final maturity date of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest.

*Short-Term Debt*

*U.S. Receivables Securitization Facility* Our U.S. accounts receivable securitization facility provides for up to \$1,000 million of liquidity through the sale or contribution of trade receivables by certain of our U.S. subsidiaries to a wholly owned, bankruptcy-remote subsidiary on an ongoing basis and without recourse. The bankruptcy-remote subsidiary may then, at its option and subject to a borrowing base of eligible receivables, sell undivided interests in the pool of trade receivables to financial institutions participating in the facility. We are responsible for servicing the receivables. In the event of liquidation, the bankruptcy-remote subsidiary's assets will be used to satisfy the claims of its creditors prior to any assets or value in the bankruptcy-remote subsidiary becoming available to us. At March 31, 2014, availability under this facility was \$1,000 million, as there were no borrowings or letters of credit outstanding under the facility.

At March 31, 2014 and 2013, our weighted average interest rates on outstanding short-term debt were 0.7% and 0.6%, respectively.

*Debt Discount and Issuance Costs Included in Interest Expense* Amortization of debt discounts and debt issuance costs in the three months ended March 31, 2014 and 2013 resulted in amortization expense of \$9 million and \$6 million,

respectively, which is included in Interest expense in the Consolidated Statements of Income.

## **7. Financial Instruments**

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

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**LYONDELLBASELL INDUSTRIES N.V.**

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

*Marketable Securities* We invest cash not required for operations in investment grade securities for periods not exceeding two years. Investments in securities with original maturities of three months or less are classified as Cash and cash equivalents. At March 31, 2014 and December 31, 2013, we had marketable securities classified as Cash and cash equivalents of \$2,127 million and \$3,482 million, respectively.

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

*Repurchase Agreements* We have invested in tri-party repurchase agreements. Under these agreements, we make cash purchases of securities according to a pre-agreed profile from our counterparties. The counterparties have an obligation to repurchase, and we have an obligation to sell, the same or substantially the same securities at a pre-defined date for a price equal to the purchase price plus interest. These securities, which pursuant to our policy are held by a third-party custodian must generally have a minimum collateral value of 102%, secure the counterparty's obligation to repurchase the securities. Our investment in these tri-party repurchase agreements, which mature within the next twelve months, are treated as short-term loans receivable and are reflected in Prepaid expenses and other current assets on our Consolidated Balance Sheets.

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

*Foreign Currency Rates* We have significant worldwide operations. The functional currencies of our consolidated subsidiaries through which we operate are primarily the U.S. dollar and the euro. We enter into transactions denominated in currencies other than our designated functional currencies. As a result, we are exposed to foreign currency risk on receivables and payables. We maintain risk management control policies intended to monitor foreign currency risk attributable to both our outstanding foreign currency balances and our future commitments. These control policies involve the centralization of foreign currency exposure management, the offsetting of exposures and the estimating of expected impacts of changes in foreign currency rates on our earnings. We enter into foreign currency forward contracts to reduce the effects of our net currency exchange exposures. At March 31, 2014, foreign currency forward contracts in the notional amount of \$166 million, maturing in April 2014 through July 2014, were outstanding.

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

liabilities.

*Foreign Currency Gain (Loss)* Other income, net, in the Consolidated Statements of Income reflected a loss of \$1 million and a gain of \$4 million for the three months ended March 31, 2014 and 2013, respectively.

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

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with the pricing of \$750 million of guaranteed notes due 2023 and \$750 million of guaranteed notes due 2043. In February 2014, we entered into forward-starting interest rate swaps with a total notional value of \$500 million to hedge the risk of fluctuations in the forward USD 30 Year LIBOR Swap rate for anticipated fixed-rate debt issuances in 2014. The swap was terminated upon issuance of the \$1,000 million of guaranteed notes due 2044. We designated these forward-starting interest rate swaps as cash flow hedges.

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

As of March 31, 2014, less than \$1 million (on a pretax basis) is scheduled to be reclassified as an increase to interest expense over the next twelve months.

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

| Millions of dollars                 | Cost     | March 31, 2014         |                         | Fair Value |
|-------------------------------------|----------|------------------------|-------------------------|------------|
|                                     |          | Gross Unrealized Gains | Gross Unrealized Losses |            |
| Commercial paper                    | \$ 1,075 | \$ --                  | \$ --                   | \$ 1,075   |
| Bonds                               | 177      | --                     | --                      | 177        |
| Certificates of deposit             | 150      | --                     | --                      | 150        |
| Total available-for-sale securities | \$ 1,402 | \$ --                  | \$ --                   | \$ 1,402   |

As of March 31, 2014, the commercial paper securities held by the Company had maturities between two and ten months, bonds had maturities between two and twenty-two months and certificates of deposit mature within twenty-two months.

The fair value and unrealized losses related to available-for-sale securities that were in an unrealized loss position for less than twelve months as of March 31, 2014 were less than \$1 million.

None of our available-for-sale securities matured or were sold during the three month period ending March 31, 2014. Accordingly, there were no proceeds, realized gains or realized losses related to the sale or maturity of these securities recognized during that time.

In addition, no losses related to other-than-temporary impairments of our available-for-sale investments have been recorded in Accumulated other comprehensive income during the three month period ended March 31, 2014.



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

| Millions of dollars           | Balance Sheet Classification              | March 31, 2014  |            | December 31, 2013 |            |
|-------------------------------|---|-----------------|------------|-------------------|------------|
|                               |   | Notional Amount | Fair Value | Notional Amount   | Fair Value |
| Assets                        |   |                 |            |                   |            |
| Derivatives:                  |   |                 |            |                   |            |
| Embedded derivatives          | Prepaid expenses and other current assets | \$ 21           | \$ 2       | \$ 47             | \$ 3       |
| Foreign currency              | Prepaid expenses and other current assets | 15              | - -        | 155               | 1          |
| Non-derivatives:              |   |                 |            |                   |            |
| Available-for sale securities | Short-term investments                    | 1,402           | 1,402      | - -               | - -        |
|                               |   | \$ 1,438        | \$ 1,404   | \$ 202            | \$ 4       |
| Liabilities                   |   |                 |            |                   |            |
| Derivatives:                  |   |                 |            |                   |            |
| Commodities                   | Accrued liabilities                       | \$ 97           | \$ 1       | \$ 646            | \$ 4       |
| Embedded derivatives          | Accrued liabilities                       | 26              | 1          | - -               | - -        |
| Foreign currency              | Accrued liabilities                       | 151             | 1          | 17                | - -        |
| Non-derivatives:              |   |                 |            |                   |            |
| Performance share awards      | Accrued liabilities                       | 13              | 13         | - -               | - -        |
| Performance share awards      | Other liabilities                         | 7               | 7          | 14                | 14         |
|                               |   | \$ 294          | \$ 23      | \$ 677            | \$ 18      |



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

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

| Millions of dollars                         | Gain (Loss)<br>Recognized<br>in AOCI | Effect of Financial Instruments<br>Three Months Ended March 31, 2014 |  |  | Income Statement<br>Classification |
|---|--------------------------------------|--|--|--|------------------------------------|
|   |                                      | Gain (Loss)<br>Reclassified<br>from AOCI<br>to Income                |  | Additional<br>Gain (Loss)<br>Recognized<br>in Income |                                    |
| Derivatives designated as cash-flow hedges: |                                      |  |  |  |                                    |
| Forward interest rate swaps                 | \$ (17)                              | \$ --  |  | \$ (1)   | Interest expense                   |
| Derivatives not designated as hedges:       |                                      |  |  |  |                                    |
| Embedded derivatives                        | --                                   | --   |  | (2)  | Cost of sales                      |
| Foreign currency                            | --                                   | --   |  | 2  | Other income, net                  |
|   | \$ (17)                              | \$ --  |  | \$ (1)   |                                    |

| Millions of dollars                   | Gain (Loss)<br>Recognized<br>in AOCI | Three Months Ended March 31, 2013                     |  |  | Income Statement<br>Classification |
|---------------------------------------|--------------------------------------|---|--|--|------------------------------------|
|                                       |                                      | Gain (Loss)<br>Reclassified<br>from AOCI<br>to Income |  | Additional<br>Gain (Loss)<br>Recognized<br>in Income |                                    |
| Derivatives not designated as hedges: |                                      |   |  |  |                                    |
| Commodities                           | \$ --                                | \$ --   |  | \$ (8)   | Cost of sales                      |
| Embedded derivatives                  | --                                   | --  |  | 3  | Cost of sales                      |
| Foreign currency                      | --                                   | --  |  | 5  | Other income, net                  |
|                                       | \$ --                                | \$ --   |  | \$ --  |                                    |

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

|                               |            | March 31, 2014    |          |         |  |         |  |
|-------------------------------|------------|-------------------|----------|---------|--|---------|--|
| Millions of dollars           | Fair Value | Level 1           |          | Level 2 |  | Level 3 |  |
| Assets                        |            |                   |          |         |  |         |  |
| Derivatives:                  |            |                   |          |         |  |         |  |
| Embedded derivatives          | \$ 2       | \$ --             | \$ 2     | \$ --   |  |         |  |
| Non-derivatives:              |            |                   |          |         |  |         |  |
| Available-for-sale securities | 1,402      | --                | 1,402    | --      |  |         |  |
|                               | \$ 1,404   | \$ --             | \$ 1,404 | \$ --   |  |         |  |
| Liabilities                   |            |                   |          |         |  |         |  |
| Derivatives:                  |            |                   |          |         |  |         |  |
| Commodities                   | \$ 1       | \$ 1              | \$ --    | \$ --   |  |         |  |
| Embedded derivatives          | 1          | --                | 1        | --      |  |         |  |
| Foreign currency              | 1          | --                | 1        | --      |  |         |  |
| Non-derivatives:              |            |                   |          |         |  |         |  |
| Performance share awards      | 20         | 20                | --       | --      |  |         |  |
|                               | \$ 23      | \$ 21             | \$ 2     | \$ --   |  |         |  |
|                               |            |                   |          |         |  |         |  |
|                               |            | December 31, 2013 |          |         |  |         |  |
| Assets                        | Fair Value | Level 1           |          | Level 2 |  | Level 3 |  |
| Derivatives:                  |            |                   |          |         |  |         |  |
| Embedded derivatives          | \$ 3       | \$ --             | \$ 3     | \$ --   |  |         |  |
| Foreign currency              | 1          | --                | 1        | --      |  |         |  |
|                               | \$ 4       | \$ --             | \$ 4     | \$ --   |  |         |  |
| Liabilities                   |            |                   |          |         |  |         |  |

Derivatives:

|             |    |   |    |   |    |     |    |     |
|-------------|----|---|----|---|----|-----|----|-----|
| Commodities | \$ | 4 | \$ | 4 | \$ | - - | \$ | - - |
|-------------|----|---|----|---|----|-----|----|-----|

Non-derivatives:

|                          |  |    |  |    |  |     |  |     |
|--------------------------|--|----|--|----|--|-----|--|-----|
| Performance share awards |  | 14 |  | 14 |  | - - |  | - - |
|--------------------------|--|----|--|----|--|-----|--|-----|

|  |    |    |    |    |    |     |    |     |
|--|----|----|----|----|----|-----|----|-----|
|  | \$ | 18 | \$ | 18 | \$ | - - | \$ | - - |
|--|----|----|----|----|----|-----|----|-----|

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

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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 March 31, 2014 and December 31, 2013. Short-term loans receivable and short-term and long-term debt are recorded at amortized cost in the Consolidated Balance Sheets. The carrying and fair values of short-term and long-term debt exclude capital leases.

| Millions of dollars         | March 31, 2014 |            |         |          |         |  |
|-----------------------------|----------------|------------|---------|----------|---------|--|
|                             | Carrying Value | Fair Value | Level 1 | Level 2  | Level 3 |  |
| Non-derivatives:            |                |            |         |          |         |  |
| Assets:                     |                |            |         |          |         |  |
| Short-term loans receivable | \$ 275         | \$ 275     | \$ --   | \$ 275   | \$ --   |  |
| Liabilities:                |                |            |         |          |         |  |
| Short-term debt             | \$ 58          | \$ 58      | \$ --   | \$ 47    | \$ 11   |  |
| Long-term debt              | 6,766          | 7,506      | --      | 7,497    | 9       |  |
| Total                       | \$ 6,824       | \$ 7,564   | \$ --   | \$ 7,544 | \$ 20   |  |

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

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

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

*Derivatives* The fair value of our commodity derivatives and embedded derivatives are measured using the closing market price at the end of the reporting period obtained from the New York Mercantile Exchange and from third-party broker quotes and pricing providers. The fair value of our foreign currency derivatives is based on forward market rates.

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

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

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

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

**9. Pension and Other Postretirement Benefits**

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

| Millions of dollars                          |    | Three Months Ended March 31, |          |       |          |
|--|----|------------------------------|----------|-------|----------|
|  |    | 2014                         |          | 2013  |          |
|  |    | U.S.                         | Non-U.S. | U.S.  | Non-U.S. |
| Service cost                                 | \$ | 11                           | \$ 8     | \$ 12 | \$ 18    |
| Interest cost                                |    | 22                           | 11       | 20    | 10       |
| Expected return on plan assets               |    | (39)                         | (6)      | (34)  | (5)      |
| Settlements (gain) loss                      |    | - -                          | (1)      | - -   | 2        |
| Prior service cost amortization              |    | - -                          | 1        | - -   | 1        |
| Actuarial and investment loss amortization   |    | - -                          | 1        | 6     | - -      |
| Net periodic pension benefit (credits) costs | \$ | (6)                          | \$ 14    | \$ 4  | \$ 26    |

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

| Millions of dollars         |    | Three Months Ended March 31, |          |      |          |
|-----------------------------|----|------------------------------|----------|------|----------|
|                             |    | 2014                         |          | 2013 |          |
|                             |    | U.S.                         | Non-U.S. | U.S. | Non-U.S. |
| Service cost                | \$ | 1                            | \$ - -   | \$ 1 | \$ - -   |
| Interest cost               |    | 4                            | 1        | 3    | 1        |
| Actuarial loss amortization |    | 2                            | - -      | 1    | - -      |
| Net periodic benefit costs  | \$ | 7                            | \$ 1     | \$ 5 | \$ 1     |



The Company contributed \$23 million to its pension plans during the three months ended March 31, 2014, which consisted of \$3 million and \$20 million to its U.S. and non-U.S. pension plans, respectively.

## **10. Income Taxes**

Our effective income tax rate for the first quarter of 2014 was 28.9% compared with 28.3% for the first quarter of 2013. Our effective tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, the U.S. domestic production activity deduction, changes in valuation allowances and changes in unrecognized tax benefits. Compared with the first quarter of 2013, the effective tax rate for the first quarter of 2014 was higher primarily due to increases in taxable foreign exchange gains and changes in valuation allowances, which were partially offset by an increase in non-taxable income.

We monitor income tax legislative developments in countries where we are tax resident. Management does not believe that recent changes in income tax laws in our tax resident countries will have a material impact on our Consolidated Financial Statements.

**Table of Contents****LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****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 \$116 million and \$120 million as of March 31, 2014 and December 31, 2013, respectively. At March 31, 2014, the accrued liabilities for individual sites range from less than \$1 million to \$23 million. The remediation expenditures are expected to occur over a number of years, and not to be concentrated in any single year. In our opinion, it is reasonably possible that losses in excess of the liabilities recorded may have been incurred. However, we cannot estimate any amount or range of such possible additional losses. New information about sites, new technology or future developments such as involvement in investigations by regulatory agencies, could require us to reassess our potential exposure related to environmental matters.

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

| Millions of dollars      | Three Months Ended<br>March 31, |     |      |     |
|--------------------------|---------------------------------|-----|------|-----|
|                          | 2014                            |     | 2013 |     |
| Beginning balance        | \$                              | 120 | \$   | 126 |
| Amounts paid             |                                 | (2) |      | (1) |
| Foreign exchange effects |                                 | - - |      | (2) |
| Other                    |                                 | (2) |      | - - |
| Ending balance           | \$                              | 116 | \$   | 123 |

**Access Indemnity Demand** In December 2010, one of our subsidiaries received demand letters from affiliates of Access Industries (collectively, Access ), a more than five percent shareholder of the Company, demanding indemnity for losses, including attorney's fees and expenses, arising out of a pending lawsuit styled *Edward S. Weisfelner, as Litigation Trustee of the LB Litigation Trust v. Leonard Blavatnik, et al.*, Adversary Proceeding No. 09-1375 (REG), in the United States Bankruptcy Court, Southern District of New York. In the *Weisfelner* lawsuit, the plaintiffs seek to recover from Access the return of all amounts earned by them related to their purchase of shares of Lyondell Chemical prior to its acquisition by Basell AF S.C.A., distributions by Basell AF S.C.A. to its shareholders before it acquired Lyondell Chemical, and management and transaction fees and expenses. The trial that was scheduled for October

2011 has been postponed.

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

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**LYONDELLBASELL INDUSTRIES N.V.**

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

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

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

*Indemnification* We are parties to various indemnification arrangements, including arrangements entered into in connection with acquisitions, divestitures and the formation of joint ventures. Pursuant to these arrangements, we provide indemnification to and/or receive indemnification from other parties in connection with liabilities that may arise in connection with the transactions and in connection with activities prior to completion of the transactions. These indemnification arrangements typically include provisions pertaining to third party claims relating to environmental and tax matters and various types of litigation. As of March 31, 2014, we had not accrued any significant amounts for our indemnification obligations, and we are not aware of circumstances that would likely lead to significant future indemnification obligations. We cannot determine with certainty the potential amount of future payments under the indemnification arrangements until events arise that would trigger a liability under the arrangements.

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

**12. Stockholders' Equity**

*Dividend Distributions* On March 17, 2014, we paid a cash dividend of \$0.60 per share for an aggregate of \$327 million to shareholders of record on March 3, 2014, with an ex-dividend date of February 27, 2014.

On April 16, 2014, our Management Board was authorized by the Supervisory Board to declare an interim dividend of \$0.70 per share. This dividend, which represents a 17% increase over our first quarter 2014 interim dividend, will be paid on May 12, 2014 to shareholders of record on April 28, 2014, with an ex-dividend date of April 24, 2014.

*Share Repurchase Programs* In May 2013, our Supervisory Board announced a share repurchase program under which we may repurchase up to 10% of our outstanding ordinary shares through the end of May 2014. These repurchases, which are determined at the discretion of our Management Board, may be executed from time to time through open market or privately negotiated transactions. The repurchased shares are recorded as Treasury stock and may be retired or used for general corporate purposes, including for various employee benefit and compensation plans. During the three months ended March 31, 2014, we have repurchased approximately 15 million shares for \$1,314 million at an average price of \$87.29 per share, including commissions. Due to the timing of settlements, total cash paid for these share repurchases for the three months ended March 31, 2014 was \$1,201 million.

On April 16, 2014, our shareholders approved a proposal to authorize us to repurchase up to an additional 10% of our outstanding ordinary shares over the next eighteen months. The purchases may be executed from time to time through open market or privately negotiated transactions.

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

|                              | <b>Three Months Ended<br/>March 31,</b> |             |
|------------------------------|---|-------------|
|                              | <b>2014</b>                             | <b>2013</b> |
| Ordinary shares outstanding: |   |             |
| Beginning balance            | 548,824,138                             | 575,216,709 |
| Share-based compensation     | 96,605                                  | 189,957     |
| Warrants exercised           | - -                                     | 5,816       |
| Employee stock purchase plan | 5,674                                   | 5,621       |
| Purchase of ordinary shares  | (15,048,816)                            | - -         |
| Ending balance               | 533,877,601                             | 575,418,103 |

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

|  | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2014</b>                             | <b>2013</b> |
| Ordinary shares held as treasury shares: |   |             |
| Beginning balance                        | 29,607,877                              | 3,206,033   |
| Share-based compensation                 | (96,605)                                | (189,957)   |
| Warrants exercised                       | - -                                     | 1,608       |
| Employee stock purchase plan             | (5,674)                                 | (5,621)     |
| Purchase of ordinary shares              | 15,048,816                              | - -         |
| Ending balance                           | 44,554,414                              | 3,012,063   |

*Accumulated Other Comprehensive Income* The components of, and after-tax changes in, Accumulated other comprehensive income as of and for the three months ended March 31, 2014 are presented in the following table:

| <b>Millions of dollars</b> | <b>Financial<br/>Derivatives</b> | <b>Defined Benefit<br/>Pension and</b> | <b>Foreign<br/>Currency</b> | <b>Total</b> |
|----------------------------|----------------------------------|--|-----------------------------|--------------|
|----------------------------|----------------------------------|--|-----------------------------|--------------|

|                                 |                 |    |      | <b>Other<br/>Postretirement<br/>Benefit Plans</b> | <b>Translation<br/>Adjustments</b> |    |     |
|---------------------------------|-----------------|----|------|---|------------------------------------|----|-----|
| Balance                         | January 1, 2014 | \$ | - -  | \$ (140)  | \$ 236                             | \$ | 96  |
| Other comprehensive income      |                 |    |      |   |                                    |    |     |
| (loss) before reclassifications |                 |    | (13) | (6)   | 18                                 |    | (1) |
| Amounts reclassified from       |                 |    |      |   |                                    |    |     |
| accumulated other               |                 |    |      |   |                                    |    |     |
| comprehensive income            |                 |    | - -  | 3   | - -                                |    | 3   |
| Net other comprehensive         |                 |    |      |   |                                    |    |     |
| income                          |                 |    | (13) | (3)   | 18                                 |    | 2   |
| Balance                         | March 31, 2014  | \$ | (13) | \$ (143)  | \$ 254                             | \$ | 98  |

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

The amounts reclassified out of each component of Accumulated other comprehensive income for the three months ended March 31, 2014 are as follows:

| <b>Millions of dollars</b>   | <b>Three Months<br/>Ended<br/>March 31, 2014</b> | <b>Affected line item on the<br/>Consolidated<br/>Statements of Income</b> |
|--|--|--|
| Reclassification adjustments for:                                  |  |  |
| Defined benefit pension and other postretirement plan items:       |  |  |
| Amortization of:   |  |  |
| Prior service cost   | \$ 1   |  |
| Actuarial loss   | 3  |  |
| Reclassifications, before tax                                      | 4  |  |
| Income tax expense   | 1  | Provision for income taxes   |
| Amounts reclassified out of Accumulated other comprehensive income | \$ 3   |  |

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



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

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

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

| Millions of dollars   | Three Months Ended March 31,<br>2014 |                            | 2013                     |                            |
|---|--------------------------------------|----------------------------|--------------------------|----------------------------|
|   | Continuing<br>Operations             | Discontinued<br>Operations | Continuing<br>Operations | Discontinued<br>Operations |
| Net income (loss)   | \$ 943                               | \$ 1                       | \$ 906                   | \$ (6)                     |
| Less: net loss attributable to non-controlling interests                  | 1                                    | - -                        | 1                        | - -                        |
| Net income (loss) attributable to the Company shareholders                | 944                                  | 1                          | 907                      | (6)                        |
| Net income attributable to participating securities                       | (2)                                  | - -                        | (3)                      | - -                        |
| Net income (loss) attributable to ordinary shareholders basic and diluted | \$ 942                               | \$ 1                       | \$ 904                   | \$ (6)                     |

**Millions of shares, except per share data**

|   |     |     |     |     |
|---|-----|-----|-----|-----|
| Basic weighted average common stock outstanding | 544 | 544 | 574 | 574 |
| Effect of dilutive securities:                  |     |     |     |     |
| Stock options                                   | 4   | 4   | 4   | 4   |
| Potential dilutive shares                       | 548 | 548 | 578 | 578 |

Earnings (loss) per share:

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|         |    |      |    |    |    |      |    |        |
|---------|----|------|----|----|----|------|----|--------|
| Basic   | \$ | 1.73 | \$ | -- | \$ | 1.57 | \$ | (0.01) |
| Diluted | \$ | 1.72 | \$ | -- | \$ | 1.56 | \$ | (0.01) |

**Millions of shares, except per share data**

|                          |  |     |  |     |  |     |  |     |
|--------------------------|--|-----|--|-----|--|-----|--|-----|
| Participating securities |  | 1.7 |  | 1.7 |  | 2.7 |  | 2.7 |
|--------------------------|--|-----|--|-----|--|-----|--|-----|

|  |    |      |    |    |    |      |    |    |
|--|----|------|----|----|----|------|----|----|
| Dividends declared per share of common stock | \$ | 0.60 | \$ | -- | \$ | 0.40 | \$ | -- |
|--|----|------|----|----|----|------|----|----|

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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 separately managed by a senior executive reporting directly to our Chief Executive Officer, the chief operating decision maker. Discrete financial information is available for each of the segments and our Chief Executive Officer uses the operating results of each of the operating segments for performance evaluation and resource allocation. The activities of each of our segments from which they earn revenues and incur expenses are described below:

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

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

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

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

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

In the first quarter of 2014, the chief operating decision maker began using EBITDA as the single measure for reviewing our segments' profitability and therefore, in accordance with ASC 280, *Segment Reporting*, we have presented EBITDA for all segments. We define EBITDA as earnings before interest, taxes and depreciation and amortization. All periods have been restated to reflect this change. Intercompany eliminations and items that are not directly related or allocated to business operations are included in Other.

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

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

| <b>Three Months Ended March 31, 2014</b> |                             |                        |                |                 |                   |              |              |
|--|-----------------------------|------------------------|----------------|-----------------|-------------------|--------------|--------------|
| <b>Millions of dollars</b>               | <b>O&amp;P<br/>Americas</b> | <b>O&amp;P<br/>EAI</b> | <b>I&amp;D</b> | <b>Refining</b> | <b>Technology</b> | <b>Other</b> | <b>Total</b> |
| Sales and other operating revenues:      |                             |                        |                |                 |                   |              |              |
| Customers                                | \$ 2,378                    | \$ 3,707               | \$ 2,405       | \$ 2,537        | \$ 108            | \$ - -       | \$ 11,135    |
| Intersegment                             | 979                         | 71                     | 24             | 219             | 28                | (1,321)      | - -          |
|  | 3,357                       | 3,778                  | 2,429          | 2,756           | 136               | (1,321)      | 11,135       |
| EBITDA                                   | 736                         | 356                    | 375            | 129             | 76                | (4)          | 1,668        |

| <b>Three Months Ended March 31, 2013</b> |                             |                        |                |                 |                   |              |              |
|--|-----------------------------|------------------------|----------------|-----------------|-------------------|--------------|--------------|
| <b>Millions of dollars</b>               | <b>O&amp;P<br/>Americas</b> | <b>O&amp;P<br/>EAI</b> | <b>I&amp;D</b> | <b>Refining</b> | <b>Technology</b> | <b>Other</b> | <b>Total</b> |
| Sales and other operating revenues:      |                             |                        |                |                 |                   |              |              |
| Customers                                | \$ 2,300                    | \$ 3,735               | \$ 2,239       | \$ 2,290        | \$ 105            | \$ - -       | \$ 10,669    |
| Intersegment                             | 944                         | 65                     | 43             | 178             | 29                | (1,259)      | - -          |
|  | 3,244                       | 3,800                  | 2,282          | 2,468           | 134               | (1,259)      | 10,669       |
| EBITDA                                   | 898                         | 225                    | 373            | 20              | 66                | 3            | 1,585        |

The O&P EAI segment operating results for the first quarter of 2014 include a \$52 million benefit from a settlement under a 2005 indemnification agreement for certain existing and future environmental liabilities.

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

| <b>Millions of dollars</b> | <b>Three Months Ended March 31,</b> |             |
|----------------------------|-------------------------------------|-------------|
|                            | <b>2014</b>                         | <b>2013</b> |
| EBITDA:                    |                                     |             |

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|   |    |       |    |       |
|---|----|-------|----|-------|
| Total segment EBITDA                                  | \$ | 1,672 | \$ | 1,582 |
| Other EBITDA  |    | (4)   |    | 3     |
| Less:   |    |       |    |       |
| Depreciation and amortization expense                 |    | (256) |    | (253) |
| Interest expense                                      |    | (92)  |    | (71)  |
| Add:  |    |       |    |       |
| Interest income                                       |    | 6     |    | 2     |
| Income from continuing operations before income taxes | \$ | 1,326 | \$ | 1,263 |

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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.

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

**OVERVIEW**

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

Our results for the first quarter of 2014 reflect business fundamentals that remained strong and relatively unchanged despite challenges presented by maintenance activities and severe weather in the U.S. and subsequent volatility in raw material costs. In the U.S., our key raw materials continue to be in abundant supply, with the price of ethane tracking natural gas prices. Although natural gas prices increased during the first quarter in the face of record low winter temperatures, the pricing we see currently is reflective of the strength of the U.S. shale developments.

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

Lower U.S. olefins production volumes, negatively affecting O&P Americas' results, due to operating issues and higher ethylene purchases in preparation for a major olefins turnaround that began in late March 2014;

Improved polyolefins results, benefitting both O&P segments in the first quarter of 2014 driven by supply constraints in the U.S. and by modest improvement in product demand in Europe;

Higher crude processing rates at our Houston refinery relative to the first quarter of 2013, which was negatively impacted by a major turnaround of one of our crude and coker units;

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

Lower oxyfuels margins, negatively affecting I&D results due to a decline in MTBE prices and lower butane to gasoline spreads in the first quarter of 2014 relative to the corresponding 2013 period.

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

On April 16, 2014, our shareholders authorized the repurchase of up to an additional 10% of our outstanding ordinary shares over the next eighteen months through open market or privately negotiated transactions;

We repurchased approximately 15 million of our ordinary shares during the first quarter of 2014;

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Our Management Board received authorization on April 16, 2014 to declare an interim dividend of \$0.70 per share, representing an increase of \$0.10 per share, or 17%, over our first quarter 2014 interim dividend. The dividend will be paid May 12, 2014 to shareholders of record on April 28, 2014;

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

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

We continued construction of ethylene expansions at our La Porte and Channelview, Texas facilities, and completed a 200 million pound per year polyethylene expansion of our Matagorda, Texas facility. Results of operations for the periods discussed are presented in the table below.

| Millions of dollars                                    | Three Months Ended<br>March 31, |           |
|--|---------------------------------|-----------|
|  | 2014                            | 2013      |
| Sales and other operating revenues                     | \$ 11,135                       | \$ 10,669 |
| Cost of sales  | 9,577                           | 9,153     |
| Selling, general and administrative expenses           | 186                             | 213       |
| Research and development expenses                      | 32                              | 36        |
| Operating income                                       | 1,340                           | 1,267     |
| Interest expense                                       | (92)                            | (71)      |
| Interest income  | 6                               | 2         |
| Other income, net                                      | 11                              | 6         |
| Income from equity investments                         | 61                              | 59        |
| Provision for income taxes                             | 383                             | 357       |
| Income from continuing operations                      | 943                             | 906       |
| Income (loss) from discontinued operations, net of tax | 1                               | (6)       |
| Net income   | \$ 944                          | \$ 900    |

**RESULTS OF OPERATIONS**

**Revenues** Revenues increased by \$466 million in the first quarter of 2014 relative to the first quarter of 2013. The increase was primarily due to higher sales volumes, which contributed 7% to the increase. Volumes increased primarily due to higher crude processing rates at our Houston refinery and the December 2013 restart of our methanol plant in Channelview, Texas. These volume improvements were offset in part by lower olefins sales volumes in our O&P Americas segment and lower polypropylene sales volumes in our O&P EAI segment.



The benefit to revenues from higher sales volumes was partially offset by lower average sales prices. Lower average sales prices, mitigated by a slight favorable impact from changes in foreign exchange rates, caused a 3% decrease in revenues in the first quarter of 2014 compared to the first quarter of 2013. The decline in revenues due to lower average sales prices for refined products, oxyfuels and olefins was partially offset by higher average sales prices for acetyls, primarily methanol, and polyolefins.

**Cost of Sales** Cost of sales increased by \$424 million in the first quarter of 2014 compared to the first quarter of 2013. The higher costs of natural gas, ethane and propane feedstocks used in our O&P Americas segment and the higher cost of propylene used in our I&D segment contributed to the increase in our first quarter 2014 cost of sales. These increased costs were offset in part by lower costs for crude oil and naphtha used in our Refining and O&P EAI segments, respectively.

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**Operating Income** Operating income, which increased by \$73 million in the first quarter of 2014 compared to the first quarter of 2013, included a benefit of \$52 million related to the settlement of certain existing and future environmental liabilities under a 2005 indemnification agreement.

The benefits from the higher operating results of our Refining, O&P EAI and Technology segments, which were substantially offset by lower operating results for our O&P Americas segment, led to the remaining \$21 million increase in operating income. Operating results for each of our business segments are discussed further in the Segment Analysis section below.

**Interest Expense** Interest expense increased by \$21 million in the first quarter of 2014 relative to the first quarter of 2013, primarily due to the increased interest expense as a result of our issuance of 4% guaranteed notes due 2023 and 5.25% guaranteed notes due 2043 in July 2013 and 4.875% guaranteed notes due 2044 in February 2014.

**Income Tax** Our effective income tax rate for the first quarter of 2014 was 28.9% compared with 28.3% for the first quarter of 2013.

Our effective tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, the U.S. domestic production activity deduction, changes in valuation allowances and changes in unrecognized tax benefits. Compared with the first quarter of 2013, the effective tax rate for the first quarter of 2014 was higher primarily due to increases in taxable foreign exchange gains and changes in valuation allowances, which were partially offset by an increase in non-taxable income.

We monitor income tax legislative developments in countries where we are tax resident. Management does not believe that recent changes in income tax laws in our tax resident countries will have a material impact on our Consolidated Financial Statements.

**Comprehensive Income** Comprehensive income was \$947 million in the first quarter of 2014 and \$713 million in the first quarter of 2013. The increase in comprehensive income was primarily due to the impacts of foreign currency translation adjustments and higher net income in the first quarter of 2014 relative to the first quarter of 2013.

The predominant local currency of our operations outside the United States is the euro, which increased relative to the value of the U.S. dollar during the first quarter of 2014, but decreased during the first quarter of 2013, resulting in gains and losses as reflected on the Consolidated Statements of Comprehensive Income.

Table of Contents**Segment Analysis**

We use earnings before interest, income taxes, and depreciation and amortization ( EBITDA ) as our measure of profitability for segment reporting purposes. This measure of segment operating results is used by our chief operating decision maker to assess the performance of and allocate resources to our operating segments. Intercompany 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 tax, see Note 14, *Segment and Related Information*, to our Consolidated Financial Statements.

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

| Millions of dollars                        | Three Months Ended<br>March 31, |           |
|--|---------------------------------|-----------|
|  | 2014                            | 2013      |
| <b>Sales and other operating revenues:</b> |                                 |           |
| O&P Americas segment                       | \$ 3,357                        | \$ 3,244  |
| O&P EAI segment                            | 3,778                           | 3,800     |
| I&D segment                                | 2,429                           | 2,282     |
| Refining segment                           | 2,756                           | 2,468     |
| Technology segment                         | 136                             | 134       |
| Other, including intersegment eliminations | (1,321)                         | (1,259)   |
| Total                                      | \$ 11,135                       | \$ 10,669 |
| <b>EBITDA:</b>                             |                                 |           |
| O&P Americas segment                       | \$ 736                          | \$ 898    |
| O&P EAI segment                            | 356                             | 225       |
| I&D segment                                | 375                             | 373       |
| Refining segment                           | 129                             | 20        |
| Technology segment                         | 76                              | 66        |
| Other, including intersegment eliminations | (4)                             | 3         |
| Total                                      | \$ 1,668                        | \$ 1,585  |
| <b>Income from equity investments:</b>     |                                 |           |
| O&P Americas segment                       | \$ 4                            | \$ 4      |
| O&P EAI segment                            | 54                              | 54        |
| I&D segment                                | 3                               | 1         |
| Total                                      | \$ 61                           | \$ 59     |



**Table of Contents*****Olefins and Polyolefins Americas Segment***

**Overview** Ethylene produced from natural gas liquids ( NGLs ) in North America remains lower in cost than ethylene produced from crude oil-based liquids, despite increases in the cost of certain NGLs during the first quarter of 2014. Higher cost naphtha and other crude oil-based liquids are the predominant feedstocks in the rest of the world.

Results in the first quarter of 2014 reflected the impacts of lower olefins volumes and margins compared to a particularly strong first quarter of 2013. The unfavorable impact of increasing inventory prior to the major turnaround of our La Porte, Texas olefins plant that began in late March 2014 required the purchase of market-priced ethylene and resulted in lower sales volumes. The negative impact of these lower olefins results was lessened by improved polyolefins margins and volumes during the period.

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

NGLs, principally ethane and propane, the prices of which are generally related to natural gas prices in the U.S.; and

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

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

In the first quarters of 2013 and 2014, we used NGLs in approximately 87% of our U.S. ethylene production as industry production economics continued to favor those feedstocks.

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

| Average Benchmark Price and Percent Change<br>Versus Prior Year Period Average<br>Three Months Ended<br>March 31, |      |        |
|---|------|--------|
| 2014  | 2013 | Change |

|   |        |        |      |
|---|--------|--------|------|
| Crude oil, dollars per barrel:                    |        |        |      |
| WTI   | 98.61  | 94.43  | 4%   |
| LLS   | 104.36 | 113.86 | (8)% |
| Natural gas (Henry Hub), dollars per million BTUs | 5.01   | 3.45   | 45%  |
| United States, cents per pound:                   |        |        |      |
| Weighted average cost of ethylene production      | 20.0   | 13.8   | 45%  |
| Ethylene  | 48.3   | 48.0   | 1%   |
| Polyethylene (high density)                       | 76.3   | 66.7   | 14%  |
| Propylene - polymer grade                         | 73.3   | 75.0   | (2)% |
| Polypropylene                                     | 88.3   | 88.0   | 0%   |

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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<br>March 31, |          |
|------------------------------------|---------------------------------|----------|
|                                    | 2014                            | 2013     |
| Sales and other operating revenues | \$ 3,357                        | \$ 3,244 |
| Income from equity investments     | 4                               | 4        |
| EBITDA                             | 736                             | 898      |

**Revenues** Revenues for our O&P Americas segment increased by \$113 million, or 3%, in the first quarter of 2014 compared to the first quarter of 2013.

In the first quarter of 2014, a 6% increase in revenues from higher average sales prices was partially offset by a 3% decrease in revenues, driven by lower olefins sales volumes. Relative to the first quarter of 2013, higher average sales prices primarily reflect higher polyolefins sales prices, particularly polyethylene, offset in part by lower sales prices for olefins. Supply constraints due to competitor outages and improved domestic demand resulted in the higher polyethylene prices during the first quarter of 2014.

Sales volumes for olefins were lower primarily due to the build of inventory in preparation of the second quarter 2014 turnaround of our LaPorte, Texas facility and planned and unplanned maintenance activities at other sites. Our efforts to build inventory for the turnaround resulted in fewer sales into the spot market during the first quarter of 2014, which also contributed to the decline in olefins volumes. The impact of lower olefins volumes was slightly mitigated by higher polyethylene and polypropylene sales volumes due largely to stronger domestic demand.

**EBITDA** EBITDA decreased by \$162 million, or 18%, in the first quarter of 2014 compared to the first quarter of 2013.

EBITDA declined by 30% due to the decrease in sales volumes discussed above, but was offset in part by a 12% increase to EBITDA as a result of higher margins. Results in the first quarter of 2014 were negatively impacted by olefins and polyolefins weather-related outages and maintenance activities as well as ethylene purchases associated with the build of inventory in preparation for the turnaround of our La Porte, Texas olefins facility.

The positive impact of higher polyolefins margins, particularly for polyethylene, more than offset a decline in olefins margins during the first quarter of 2014.

Higher average sales prices, particularly for polyethylene, led to the higher polyolefins margins. Industry supply constraints and higher domestic demand in the first quarter of 2014 contributed to the increase in polyethylene sales prices. Lower average sales prices for ethylene and an increase in the cost of our ethylene production as compared to the first quarter 2013, which experienced particularly strong results, led to the lower olefins margins. The higher cost of ethylene production reflected the impact of lower co-product prices, higher natural gas costs and the higher cost of NGL feedstocks, ethane and propane.

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

**Overview** Although results for the O&P EAI segment have improved in the first quarter of 2014 compared to the same period in 2013, market conditions remain weak in Europe. Higher operating results for the first quarter of 2014 primarily reflect improved margins offset in part by lower sales volumes relative to 2013. Lower feedstock costs more than offset the lower average sales prices, resulting in higher margins. Sales volumes were negatively impacted by a reduction in the level of polypropylene that we marketed for our Al Waha joint venture due to a scheduled turnaround and by the closure of one of our facilities in Australia in December 2013.



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

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

|  | Average Benchmark Price and<br>Percent<br>Change Versus Prior Year Period<br>Average<br>Three Months Ended<br>March 31, |        |        |
|--|---|--------|--------|
|  | 2014  | 2013   | Change |
| Brent crude oil, dollars per barrel              | 107.87  | 112.64 | (4)%   |
| Western Europe benchmark prices, 0.01 per pound: |   |        |        |
| Weighted average cost of ethylene production     | 32.9  | 36.2   | (9)%   |
| Ethylene   | 54.7  | 58.6   | (7)%   |
| Polyethylene (high density)                      | 56.1  | 61.2   | (8)%   |
| Propylene  | 51.3  | 50.6   | 1%     |
| Polypropylene (homopolymer)                      | 59.9  | 59.1   | 1%     |
| Average exchange rate, \$US per                  | 1.37  | 1.32   | 4%     |

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.

|                                    | Three Months Ended<br>March 31, |          |
|------------------------------------|---------------------------------|----------|
| Millions of dollars                | 2014                            | 2013     |
| Sales and other operating revenues | \$ 3,778                        | \$ 3,800 |
| Income from equity investments     | 54                              | 54       |
| EBITDA                             | 356                             | 225      |

**Revenues** Revenues decreased by \$22 million, or 1%, in the first quarter of 2014 compared to the first quarter of 2013.

Revenues in the first quarter of 2014 declined as a result of slightly lower sales volumes. Favorable changes in foreign exchange rates during the period partly offset the negative impact of lower sales volumes. First quarter 2014 average sales prices were relatively unchanged from the first quarter of 2013.

Lower sales volumes, mainly for polypropylene, resulted in the decrease in revenues in the first quarter of 2014. Our polypropylene sales volumes in Asia and the Middle East were negatively impacted by the first quarter 2014 turnaround of our Al Waha joint venture facility. These volume decreases were slightly mitigated by higher polyethylene and PP compounding volumes in Europe in the first quarter of 2014. The year over year increase in polyethylene volumes reflects the negative impact on polyethylene volumes in the first quarter of 2013 caused by an

unplanned outage at our polyethylene plant in Wesseling, Germany. Higher PP compounding volumes in the first quarter of 2014 reflect stronger automotive industry demand relative to the first quarter of 2013.

In the first quarter of 2014, lower average sales prices for olefins and polyethylene were offset by higher average sales prices for polypropylene and PP compounds. Sales prices for olefins generally correlate with the price of

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naphtha, which was lower in the first quarter of 2014 relative to the first quarter of 2013.

**EBITDA** EBITDA increased by \$131 million, or 58%, in the first quarter of 2014 compared to the first quarter of 2013.

Higher margins and the impact of the change in volumes discussed above contributed 27% and 8%, respectively, to the improvement in first quarter 2014 EBITDA. Also contributing to the increase was the benefit from a \$52 million settlement for certain existing and future environmental claims under a 2005 indemnification agreement.

EBITDA increased in the first quarter of 2014 across most products compared to the first quarter of 2013. Polyethylene margins in Europe improved in the first quarter of 2014 due to the combination of higher average sales prices and lower ethylene feedstock costs. Higher polypropylene results, mainly in Europe, also contributed to the increase in EBITDA, as margin improvements from higher average sales prices more than offset the impact of the lower volumes discussed above. Higher PP compounds results reflected higher sales volumes and margins. Although olefins margins were lower in the first quarter of 2014, the impact of higher volumes more than offset that decrease, resulting in slightly improved olefins EBITDA.

**Intermediates and Derivatives Segment**

**Overview** Results for our I&D segment remained strong in the first quarter of 2014 as decreases in results for oxyfuels and styrene were substantially offset by higher results for acetyls and, to a lesser extent, PO and derivatives.

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

| Millions of dollars                | Three Months Ended<br>March 31, |          |
|------------------------------------|---------------------------------|----------|
|                                    | 2014                            | 2013     |
| Sales and other operating revenues | \$ 2,429                        | \$ 2,282 |
| Income from equity investments     | 3                               | 1        |
| EBITDA                             | 375                             | 373      |

**Market margins, cents per gallon**

|          |      |       |
|----------|------|-------|
| MTBE NWE | 63.4 | 104.9 |
|----------|------|-------|

**Revenues** Revenues increased by \$147 million, or 6%, in the first quarter of 2014 compared to the first quarter of 2013.

Higher sales volumes increased revenues in the first quarter by 7% as higher acetyls and PO and derivatives sales volumes were partially offset by lower sales volumes for oxyfuels and styrene. The increased acetyls volumes reflect increased sales of methanol as a result of the December 2013 restart of our methanol plant in Channelview, Texas, and increased sales of glacial acetic acid ( GAA ). The year over year increase in GAA sales volumes reflect lower GAA sales volumes in the first quarter of 2013 due to a supplier outage at our LaPorte, Texas acetyls plant during that period. PO derivatives sales volumes, particularly butanediol ( BDO ) and propylene glycol ( PG ), which were higher in the first quarter of 2014, reflect the impacts of competitor outages and the colder than usual winter weather in the U.S., respectively. Decreased sales volumes of MTBE, which reflect shipping delays due to the temporary closure of

the Houston Ship Channel, were offset in part by higher ETBE sales in response to the unusually mild winter season in Europe during the first quarter of 2014.

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Lower average sales prices for styrene, ethylene glycols and oxyfuels resulted in a 1% decrease in first quarter 2014 revenues. These declines were driven partly by additional supply and pricing pressure in Asia. First quarter 2014 sales prices for oxyfuels also reflected the impact of lower gasoline prices and weak demand for octane blending combined with high gasoline inventories compared to the same period in 2013. The impact of these lower sales prices was offset in part by higher average sales prices for acetyls, driven by supply constraints as a result of industry outages, and PO and derivatives, in addition to favorable foreign exchange effects.

**EBITDA** EBITDA was relatively unchanged in the first quarter of 2014 compared to the first quarter of 2013.

The increase in first quarter 2014 volumes discussed above resulted in a 19% increase in EBITDA relative to the first quarter of 2013. This benefit was substantially offset by a decrease in EBITDA of 18% caused by the impact of lower margins in the first quarter of 2014. The higher cost of natural gas and shipping delays related to the temporary closure of the Houston Ship Channel in the latter part of the quarter contributed approximately \$15 million and \$10 million, respectively, to the decline in first quarter 2014 EBITDA.

Declines in oxyfuels, styrene and PO and derivatives margins were partially offset by higher acetyls margins during the first quarter of this year. The impact of the restart of our methanol plant in Channelview, Texas discussed above contributed approximately \$50 million to EBITDA in the first quarter of 2014. Lower average sales prices coupled with higher feedstock costs, particularly for natural gas and propylene, led to the decline in margins in the first quarter of 2014 over the first quarter of 2013. In the first quarter of 2014, oxyfuels results were negatively impacted by lower average sales prices for MTBE and a compressed gasoline to butane spread, as well as a shift in the level of sales between regions.

The impact of lower styrene sales volumes due to excess supply and lower margins, which reflect lower average sales prices and the higher cost of benzene feedstock during the period, led to the lower first quarter 2014 styrene results. These declines were offset in part by strong acetyls performance and to a lesser extent, higher PO and derivative results. Higher acetyls results in the first quarter of 2014 reflected higher margins, particularly for methanol, coupled with the increase in sales volumes discussed above. Higher average sales prices and the lower cost of ethylene feedstock, which was offset in part by the higher cost of natural gas, led to the improvement in acetyls margins. Improved PO and derivatives results reflect the higher sales volumes discussed above partly offset by lower margins driven by higher propylene raw material costs.

***Refining Segment***

**Overview** Results for the first quarter of 2014 improved over the first quarter of 2013, which was negatively impacted by a major turnaround. Crude processing rates returned to a more normal level in the first quarter of 2014 and margins improved over the prior year period.

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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 crude oil, while Maya is a heavy crude oil.

| <b>Millions of dollars</b>                                 | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2014</b>                             | <b>2013</b> |
| Sales and other operating revenues                         | \$ 2,756                                | \$ 2,468    |
| EBITDA   | 129                                     | 20          |
| Heavy crude processing rates, thousands of barrels per day | 247                                     | 173         |
| <b>Market margins, dollars per barrel</b>                  |   |             |
| Light crude oil 2-1-1                                      | \$ 13.18                                | \$ 11.53    |
| Light crude Maya differential                              | 15.08                                   | 11.17       |
| Total Maya 2-1-1   | \$ 28.26                                | \$ 22.70    |

**Revenues** Revenues increased by \$288 million, or 12%, in the first quarter of 2014 compared to the first quarter of 2013.

Higher sales volumes increased revenues by 23% in the first quarter of 2014, largely due to an increase in crude processing rates over the prior year period. Crude processing rates were negatively impacted in the first quarter of 2013 by a major scheduled turnaround. This increase was partly offset by lower average refined product prices, which decreased revenues by 11% in the first quarter of 2014.

**EBITDA** EBITDA increased by \$109 million, or 545%, in the first quarter of 2014 compared to the first quarter of 2013.

The effect of higher volumes discussed above and margin improvements contributed 320% and 225%, respectively, to the increase in first quarter 2014 EBITDA.

Improved refining margins in the first quarter of 2014 reflect higher heavy crude oil discounts, offset in part by lower gasoline and distillate margins. The increase in the price of natural gas during the first quarter of 2014 had a \$10 million impact on EBITDA. First quarter 2014 results were impacted by operating issues with our coking units, which impacted both yields and crude processing rates. These issues prevented the refining business from realizing part of the \$5.56 per barrel improvement in the benchmark Maya 2-1-1 margins relative to the first quarter 2013.

**Technology Segment**

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

**Three Months  
Ended**

| Millions of dollars                | March 31, |        |
|------------------------------------|-----------|--------|
|                                    | 2014      | 2013   |
| Sales and other operating revenues | \$ 136    | \$ 134 |
| EBITDA                             | 76        | 66     |

**Revenues** Revenues in the first quarter of 2014 were relatively unchanged compared to the first quarter of 2013.

Higher catalyst sales prices and, to a lesser degree, the effect of favorable foreign exchange rates contributed 7% to the revenue increase in the first quarter of 2014 compared to the same 2013 period. This was offset by lower catalyst sales volumes and lower licensing and services income, which each decreased revenues by 3%.

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**EBITDA** EBITDA increased by \$10 million, or 15%, in the first quarter of 2014 compared to the first quarter of 2013. The increase was largely due to the benefit of lower research and development expenses compared to the first quarter of 2013.

**FINANCIAL CONDITION**

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

| Millions of dollars   | Three Months Ended<br>March 31, |        |
|-----------------------|---------------------------------|--------|
|                       | 2014                            | 2013   |
| Source (use) of cash: |                                 |        |
| Operating activities  | \$ 801                          | \$ 799 |
| Investing activities  | (2,011)                         | (408)  |
| Financing activities  | (550)                           | (234)  |

**Operating Activities** Cash of \$801 million provided in the first quarter of 2014 primarily reflected earnings, adjusted for non-cash items, and cash used by the main components of working capital accounts receivable, inventories and accounts payable.

The \$319 million of cash used by the main components of working capital in the first quarter of 2014 reflects increases of \$305 million and \$105 million in inventories and accounts receivable, respectively, offset by a \$91 million increase in accounts payable.

Inventory levels increased across all business segments at the end of the first quarter, compared to year end 2013. Ultra low sulfur diesel and jet fuel inventory levels in our Refining segment, which were lower than normal at year end due to fourth quarter 2013 operating issues, returned to more normal levels in the first quarter. The resulting increase was offset in part by reduced crude inventory at March 31, 2014. Our O&P EAI olefins and polyolefins inventories increased due to increased naphtha purchases and the timing of shipments to Asia, respectively. The timing of shipments to North America and Japan resulted in increases in I&D segment inventories for MTBE and ETBE during the first quarter of 2014. In the O&P Americas segment, ethylene and propylene inventories were increased in preparation for a turnaround of our LaPorte, Texas, olefins facility which commenced late in the first quarter. These increases were offset in part by a reduction in polyethylene inventory related to the turnaround of our Matagorda, Texas facility.

The increase in accounts receivable reflects higher sales volumes in our O&P EAI segment partially offset by price declines in our I&D and Refining segments. Accounts payable increased largely due to higher feedstock costs in our O&P Americas and I&D segments.

The \$799 million of cash provided in the first quarter of 2013 primarily reflected earnings, adjusted for non-cash items, offset in part by contributions to our pension plans and cash used by the main components of working capital accounts receivable, inventories and accounts payable, and certain payments related to sales rebates, employee bonuses, property taxes and vendor prepayments.

The cash used by the main components of working capital in the first quarter of 2013 reflects increases of \$22 million and \$242 million in accounts receivable and inventories, respectively, and a \$17 million decrease in accounts payable.



The increase in inventories was largely due to a build in inventories at our Houston refinery in March 2013 in preparation for a return to full crude processing rates following the completion of a turnaround coupled with a lower than normal inventory level at December 31, 2012 due to the timing of crude deliveries.

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**Investing Activities** We used cash of \$2,011 million and \$408 million in investing activities in the first quarters of 2014 and 2013, respectively.

In the first quarter of 2014, we invested cash exceeding our daily operating requirements in investment grade and other high quality instruments. We invest in financial instruments that provide adequate flexibility to redeploy funds as needed to meet our cash flow requirements while maximizing yield. In the first quarter of 2014, we invested \$1,397 million in securities, which are deemed available-for-sale and classified as short-term investments, and \$275 million in tri-party repurchase agreements classified as short-term loans receivable. See Note 7 to the Consolidated Financial Statements for additional information regarding these investments.

Our capital expenditures in the first quarters of 2014 and 2013 included turnaround activities at several sites, debottlenecks of certain assets to enhance production, expansion projects, railcar purchases and other plant improvement projects.

The following table summarizes capital expenditures for the periods presented:

| Millions of dollars  | Three Months<br>Ended<br>March 31, |        |
|--|------------------------------------|--------|
|  | 2014                               | 2013   |
| <b>Capital expenditures by segment:</b>                    |                                    |        |
| O&P Americas   | \$ 231                             | \$ 122 |
| O&P EAI  | 33                                 | 63     |
| I&D  | 45                                 | 106    |
| Refining   | 32                                 | 93     |
| Technology   | 2                                  | 7      |
| Consolidated capital expenditures of continuing operations | \$ 343                             | \$ 391 |

**Financing Activities** In the first quarters of 2014 and 2013, our financing activities used cash of \$550 million and \$234 million, respectively.

In the first quarter of 2014, we continued with our share repurchase program, spending \$1,201 million to acquire approximately 15 million of our outstanding ordinary shares. We returned an additional \$327 million to our shareholders in the first quarter of 2014 through the payment of an interim dividend. In the first quarter of 2013, we paid an interim dividend payment totaling \$229 million.

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

**Liquidity and Capital Resources** As of March 31, 2014, we had \$4,104 million of unrestricted cash and cash equivalents and marketable securities classified as Short-term investments. For additional information related to our purchases of marketable securities, which currently include certificates of deposit, commercial paper and bonds, see the Financing Activities section above and Note 7 to the Consolidated Financial Statements.

At March 31, 2014, we held \$811 million of cash in jurisdictions outside of the U.S., principally in the United Kingdom. Less than 1% of our outstanding cash balance is held in a country that has established government imposed currency restrictions that could impede the ability of our subsidiary to transfer funds to us. There currently are no other material legal or economic restrictions that would impede our transfers of cash. We also had total unused availability under our credit facilities of \$3,617 million at March 31, 2014, which included the following:

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

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\$1,000 million under our \$1,000 million U.S. accounts receivable securitization facility. Availability under this facility is subject to a borrowing base of eligible receivables, which is reduced by outstanding borrowings and letters of credit, if any. There were no outstanding borrowings or letters of credit at March 31, 2014.

432 million and \$25 million (totaling approximately \$617 million) under our 450 million European accounts receivable securitization facility. Availability under this facility is subject to a borrowing base, net of outstanding borrowings. There were no outstanding borrowings under this facility at March 31, 2014.

We also have outstanding letters of credit and bank guarantees totaling \$452 million at March 31, 2014 issued under uncommitted credit facilities.

At March 31, 2014, we had total debt, including current maturities, of \$6,827 million.

In February 2014, our direct, 100% owned subsidiary, LYB International Finance B.V., issued \$1,000 million of 4.875% Notes due 2044 at a discounted price of 98.831%. Proceeds from these notes are being used for general corporate purposes, including repurchases of our ordinary shares. We may temporarily invest funds not needed for these purposes in short-term investments, including marketable securities. Interest payments under these notes commence on September 15, 2014. These unsecured notes, which are fully and unconditionally guaranteed by LyondellBasell Industries N.V., rank equally in right of payment to all of LYB International Finance B.V.'s existing and future unsecured indebtedness and to all of LyondellBasell's existing and future unsubordinated indebtedness. The notes may be redeemed before the date that is six months prior to the scheduled maturity date at a redemption price equal to the greater of 100% of the principal amount of the notes redeemed and the sum of the present values of the remaining scheduled payments of principal and interest (discounted at the applicable Treasury Yield plus 20 basis points) on the notes to be redeemed. The notes may also be redeemed on or after the date that is six months prior to the final maturity date of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest.

In May 2013, we announced a share repurchase program under which we may repurchase up to 10% of our shares outstanding through the end of May 2014, for a total of approximately 57.6 million shares. Our share repurchase program does not have a stated dollar amount, and purchases may be made through open market purchases, private market transactions or other structured transactions. Repurchased shares may be retired or used for general corporate purposes, including for various employee benefit and compensation plans. As of March 31, 2014, we have purchased 42,407,818 shares under this program for approximately \$3,262 million. As of April 25, 2014, we had approximately 8.5 million shares remaining under the current authorization. We expect to repurchase the remaining shares authorized under this program before the end of May 2014. The timing and amount of additional shares repurchased will continue to be determined by our Management Board based on its evaluation of market conditions and other factors.

On April 16, 2014, our shareholders approved a proposal to authorize us to repurchase up to an additional 10% of our outstanding ordinary shares over the next eighteen months. The purchases may be executed from time to time through open market or privately negotiated transactions.

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

We intend to continue to declare and pay quarterly dividends, with the goal of increasing the dividend over time, after giving consideration to our cash balances and expected results from operations. On April 16, 2014, our Management Board was authorized by the Supervisory Board to declare an interim dividend of \$0.70 per share.

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This dividend, which represents a 17% increase over our first quarter 2014 interim dividend, will be paid on May 12, 2014 to shareholders of record on April 28, 2014, with an ex-dividend date of April 24, 2014.

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**

The industry trends that have developed over the past few years are expected to continue in the near term. Likewise, conditions in our businesses are generally expected to be consistent with recent quarters and seasonal trends. In the second quarter of 2014, we expect significant planned downtime at our La Porte, Texas, facility while we perform normal turnaround maintenance and complete an 800 million pounds per year ethylene expansion. Inventory build-up in preparation for this downtime should enable us to meet our customer demands while helping to mitigate the financial impact on the second quarter of 2014. As we enter the summer driving season, our refining benchmark crack spread is expected to remain relatively unchanged from the first quarter.

## **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, projection, forecast, goal, guidance, outlook, effort, target and similar expressions.

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

the cost of raw materials represents a substantial portion of our operating expenses, and energy costs generally follow price trends of crude oil and/or natural gas; price volatility can significantly affect our results of operations and we may be unable to pass raw material and energy cost increases on to our customers;

our U.S. operations have benefited from low-cost natural gas and natural gas liquids; decreased availability of these materials (for example, from their export or regulations impacting hydraulic fracturing in the U.S.) could reduce the current benefits we receive; similarly, if crude oil prices fell materially, we would see less benefit from low-cost natural gas and natural gas liquids;

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

we may face operating interruptions at any of our facilities, which would negatively impact our operating results; for example, because the Houston refinery is our only refining operation, we would not have the ability to increase production elsewhere to mitigate the impact of any outage at that facility;

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

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

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

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

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

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



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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, 2013. Our exposure to such risks has not changed materially in the three months ended March 31, 2014.

**Item 4. CONTROLS AND PROCEDURES**

As of March 31, 2014, with the participation of our management, our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal financial officer) carried out an evaluation, pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the Act), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Act). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were operating effectively as of March 31, 2014.

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

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**PART II. OTHER INFORMATION**

**Item 1. LEGAL PROCEEDINGS**

*Environmental Matters*

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

In September 2012, Harris County, Texas filed a lawsuit against our subsidiary, Equistar Chemicals, LP, in Harris County District Court in connection with four emissions events between September 2011 and March 2012 at our manufacturing plant in Channelview, Texas. The complaint alleges a maximum penalty of \$200,000. In March 2014, we entered into a Final Judgment with Harris County and the State of Texas, pursuant to which we agreed to pay a civil penalty of \$100,000 and attorney's fees and costs of \$20,000.

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

In September 2013, EPA Region V issued a Notice and Finding of Violation alleging violations at our Morris, Illinois facility related to flaring activity. The Notice generally alleges failures to monitor steam usage and improper flare operations. While a penalty demand is expected, the Notice did not contain any such demand, although we reasonably believe that EPA Region V may assert a penalty demand in excess of \$100,000.

In September 2013, the EPA Region VII sent our Clinton, Iowa facility notice that it intends to proceed with the filing of an administrative complaint seeking penalties of approximately \$191,000, related to alleged violations of the Resources Conservation and Recovery Act ("RCRA") for inadequate secondary containment of hazardous waste container storage areas. In January 2014, we entered into a Consent Agreement and Final Order pursuant to which we agreed to pay a civil penalty of approximately \$27,000.

*Litigation and Other Matters*

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

**Item 1A. RISK FACTORS**

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



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

| <b>Period</b> | <b>Total Number of Shares Purchased</b> | <b>Average Price Paid per Share</b> | <b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)</b> | <b>Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs (1)</b> |
|---------------|---|-------------------------------------|---|---|
| January 1     |   |                                     |   |   |
| January 31    | --                                      | --                                  | --  | 30,225,236  |
| February 1    |   |                                     |   |   |
| February 28   | 6,684,000                               | \$83.97                             | 6,684,000   | 23,541,236  |
| March 1       |   |                                     |   |   |
| March 31      | 8,364,816                               | \$89.94                             | 8,364,816   | 15,176,420  |
| Total         | 15,048,816                              | \$87.29                             | 15,048,816  | 15,176,420  |

- (1) On May 22, 2013, we announced a share repurchase program of up to 57,584,238 of our ordinary shares through May 21, 2014. 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: April 29, 2014

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