LyondellBasell Industries N.V.
Form 10-Q
July 29, 2016
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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 June 30, 2016

or

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

For the transition period from __________ to __________

Commission file number: 001-34726

LYONDELLBASELL INDUSTRIES N.V.

(Exact name of registrant as specified in its charter)

The Netherlands **(State or other jurisdiction of** **incorporation or organization)**	**98-0646235** **(I.R.S. Employer** **Identification No.)**

1221 McKinney St.,	**4th Floor, One Vine Street**	**Delftseplein 27E**
Suite 300	**London**	**3013 AA 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 x 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 x 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 x	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 x

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 x No ¨

The registrant had 415,721,892 ordinary shares, 0.04 par value, outstanding at July 26, 2016 (excluding 162,713,378 treasury shares).

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

LYONDELLBASELL INDUSTRIES N.V.

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars, except earnings per share	**2016**	**2015**	**2016**	**2015**
Sales and other operating revenues:				
Trade	$ 7,132	$ 8,931	$ 13,688	$ 16,932
Related parties	196	214	383	398
	7,328	9,145	14,071	17,330
Operating costs and expenses:				
Cost of sales	5,702	7,047	10,868	13,426
Selling, general and administrative expenses	199	228	392	433
Research and development expenses	24	25	48	51
	5,925	7,300	11,308	13,910
Operating income	1,403	1,845	2,763	3,420
Interest expense	(83)	(79)	(165)	(148)
Interest income	4	7	9	18
Other income (expense), net	(3)	4	85	25
Income from continuing operations before equity investments and income taxes	1,321	1,777	2,692	3,315
Income from equity investments	117	90	208	159
Income from continuing operations before income taxes	1,438	1,867	2,900	3,474
Provision for income taxes	346	541	778	981
Income from continuing operations	1,092	1,326	2,122	2,493
Income (loss) from discontinued operations, net of tax	(1)	3	(1)	
Net income	1,091	1,329	2,121	2,493
Net income attributable to non-controlling interests		1		3
Net income attributable to the Company shareholders	$ 1,091	$ 1,330	$ 2,121	$ 2,496
Earnings per share:				
Net income (loss) attributable to the Company shareholders				
Basic:				
Continuing operations	$ 2.57	$ 2.81	$ 4.94	$ 5.24

Discontinued operations		0.01		
	$ 2.57	$ 2.82	$ 4.94	$ 5.24
Diluted:				
Continuing operations	$ 2.56	$ 2.81	$ 4.93	$ 5.22
Discontinued operations		0.01		
	$ 2.56	$ 2.82	$ 4.93	$ 5.22

See Notes to the Consolidated Financial Statements.

LYONDELLBASELL INDUSTRIES N.V.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2016**	**2015**	**2016**	**2015**
Net income	$ 1,091	$ 1,329	$ 2,121	$ 2,493
Other comprehensive income (loss), net of tax				
Financial derivatives:				
Gain (loss) on cash flow hedges arising during the period	5	25	(189)	277
Reclassification adjustment included in net income	(43)	67	47	(153)
Income tax expense (benefit)	12	(1)	(41)	64
Financial derivatives, net of tax	(50)	93	(101)	60
Unrealized gain (loss) on available-for-sale securities:				
Unrealized loss on sales of available-for-sale securities, before tax			(6)	
Income tax expense (benefit)				
Unrealized loss on available-for-sale securities, net of tax			(6)	
Defined pension and other postretirement benefit plans:				
Reclassification adjustment for amortization of prior service cost included in net income		1		1
Reclassification adjustment for net actuarial loss included in net income	7	7	15	13
Defined pension and other postretirement benefit plans, before tax	7	8	15	14
Income tax expense	2	2	5	4
Defined pension and other postretirement benefit plans, net of tax	5	6	10	10
Foreign currency translation adjustments:				
Unrealized gain (loss) arising during the period	(29)	160	56	(351)
Income tax expense (benefit)	1		(7)	
Foreign currency translation adjustments, net of tax	(30)	160	63	(351)
Total other comprehensive income (loss)	(75)	259	(34)	(281)
Comprehensive income	1,016	1,588	2,087	2,212
Comprehensive loss attributable to non-controlling interests		1		3
Comprehensive income attributable to the Company shareholders	$ 1,016	$ 1,589	$ 2,087	$ 2,215

See Notes to the Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEETS

Millions of dollars	**June 30, 2016**	**December 31, 2015**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,060	$ 924
Restricted cash	4	7
Short-term investments	1,023	1,064
Accounts receivable:		
Trade, net	2,633	2,363
Related parties	173	154
Inventories	4,009	4,051
Prepaid expenses and other current assets	1,081	1,226
Total current assets	9,983	9,789
Property, plant and equipment at cost	14,047	12,910
Less: Accumulated depreciation	(4,366)	(3,919)
Property, plant and equipment, net	9,681	8,991
Investments and long-term receivables:		
Investment in PO joint ventures	390	397
Equity investments	1,610	1,608
Other investments and long-term receivables	18	122
Goodwill	542	536
Intangible assets, net	588	640
Other assets	623	674
Total assets	$ 23,435	$ 22,757

See Notes to the Consolidated Financial Statements.

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LYONDELLBASELL INDUSTRIES N.V.

CONSOLIDATED BALANCE SHEETS

Millions of dollars, except shares and par value data	June 30, 2016	December 31, 2015
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 4	$ 4
Short-term debt	616	353
Accounts payable:		
Trade	1,895	1,627
Related parties	462	555
Accrued liabilities	1,374	1,810
Total current liabilities	4,351	4,349
Long-term debt	8,485	7,671
Other liabilities	2,143	2,036
Deferred income taxes	2,149	2,127
Commitments and contingencies		
Stockholders equity:		
Ordinary shares, 0.04 par value, 1,275 million shares authorized, 419,381,566 and 440,150,069 shares outstanding, respectively	31	31
Additional paid-in capital	10,192	10,202
Retained earnings	11,264	9,841
Accumulated other comprehensive loss	(1,472)	(1,438)
Treasury stock, at cost, 159,053,704 and 138,285,201 ordinary shares, respectively	(13,732)	(12,086)
Total Company share of stockholders equity	6,283	6,550
Non-controlling interests	24	24
Total equity	6,307	6,574
Total liabilities and equity	$ 23,435	$ 22,757

See Notes to the Consolidated Financial Statements.

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LYONDELLBASELL INDUSTRIES N.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of dollars	Six Months Ended June 30, 2016	2015
Cash flows from operating activities:		
Net income	$ 2,121	$ 2,493
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	534	534
Amortization of debt-related costs	9	8
Inventory valuation adjustments		83
Equity investments		
Equity income	(208)	(159)
Distributions of earnings, net of tax	249	101
Deferred income taxes	104	54
Gain on sale of business	(78)	
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(281)	(35)
Inventories	26	141
Accounts payable	161	(212)
Prepaid expenses and other current assets	118	(52)
Other, net	(194)	(42)
Net cash provided by operating activities	2,561	2,914
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(1,090)	(584)
Payments for repurchase agreements	(168)	(397)
Proceeds from repurchase agreements	98	250
Purchases of available-for-sale securities	(607)	(1,468)
Proceeds from sales and maturities of available-for-sale securities	657	997
Net proceeds from sale of business	137	
Proceeds from settlement of forward exchange contracts	795	
Payments for settlement of forward exchange contracts	(850)	
Change in restricted cash	3	(1)
Other, net	(43)	33
Net cash used in investing activities	(1,068)	(1,170)

See Notes to the Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of dollars	**Six Months Ended June 30, 2016**	**2015**
Cash flows from financing activities:		
Repurchases of Company ordinary shares	(1,682)	(2,137)
Dividends paid	(698)	(702)
Issuance of long-term debt	812	984
Net proceeds from commercial paper	200	238
Payments of debt issuance costs	(5)	(12)
Other, net	1	207
Net cash used in financing activities	(1,372)	(1,422)
Effect of exchange rate changes on cash	15	(28)
Increase in cash and cash equivalents	136	294
Cash and cash equivalents at beginning of period	924	1,031
Cash and cash equivalents at end of period	$ 1,060	$ 1,325

See Notes to the Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

Millions of dollars	Ordinary Shares Issued	Ordinary Shares Treasury	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Company Share of Stockholders Equity	Non-Controlling Interests
Balance, December 31, 2015	$ 31	$ (12,086)	$ 10,202	$ 9,841	$ (1,438)	$ 6,550	$ 24
Net income (loss)				2,121		2,121	
Other comprehensive income					(34)	(34)	
Share-based compensation		43	(10)			33	
Dividends ($1.63 per share)				(698)		(698)	
Repurchases of Company ordinary shares		(1,689)				(1,689)	
Balance, June 30, 2016	$ 31	$ (13,732)	$ 10,192	$ 11,264	$ (1,472)	$ 6,283	$ 24

See Notes to the Consolidated Financial Statements.

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

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

2. Accounting and Reporting Changes

Recently Adopted Guidance

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

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

Accounting Guidance Issued But Not Adopted as of June 30, 2016

Revenue Recognition In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the current revenue recognition requirements in Accounting Standard Codification (ASC) 606, *Revenue Recognition.* Under this guidance, entities should recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. This ASU also requires enhanced disclosures. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the original effective date for one year to annual and interim periods beginning after December 15, 2017. Retrospective and modified retrospective application is allowed.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Investments In March 2016, the FASB issued ASU 2016-07, *Investments Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*. This ASU simplifies the recognition and reporting requirements for investments that become qualified for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence. The amendments in this ASU are effective for all entities for annual and interim periods beginning after December 15, 2016. Prospective application is required to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Early adoption is permitted. The application of this amendment is not expected to have a material impact on our Consolidated Financial Statements.

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

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

3. Discontinued Operations

In May 2016, we received a notice pertaining to the final closure of our Berre refinery from the Prefect of Bouches du Rhone. This notice outlines the requirements to dismantle the refinery facilities. At this time, the estimated cost and associated cash flows to fulfill these requirements are not deemed to be material.

4. Accounts Receivable

Our allowance for doubtful accounts receivable, which is reflected in the Consolidated Balance Sheets as a reduction of accounts receivable, totaled $18 million and $24 million at June 30, 2016 and December 31, 2015, respectively.

5. Inventories

Inventories consisted of the following components:

Millions of dollars	**June 30, 2016**	**December 31, 2015**
Finished goods	$ 2,729	$ 2,668
Work-in-process	158	148
Raw materials and supplies	1,122	1,235
Total inventories	$ 4,009	$ 4,051

For information related to lower of cost or market inventory valuation adjustments recognized during the second quarter and first six months of 2016, see Note 14.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Debt

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

Millions of dollars	June 30, 2016	December 31, 2015
Senior Notes due 2019, $2,000 million, 5.0% ($12 million of debt issuance cost)	$ 1,961	$ 1,943
Senior Notes due 2021, $1,000 million, 6.0% ($10 million of debt issuance cost)	990	989
Senior Notes due 2024, $1,000 million, 5.75% ($10 million of debt issuance cost)	990	990
Senior Notes due 2055, $1,000 million, 4.625% ($16 million of discount; $12 million of debt issuance cost)	972	972
Guaranteed Notes due 2044, $1,000 million, 4.875% ($11 million of discount; $10 million of debt issuance cost)	979	979
Guaranteed Notes due 2043, $750 million, 5.25% ($22 million of discount; $7 million of debt issuance cost)	721	721
Guaranteed Notes due 2023, $750 million, 4.0% ($8 million of discount; $4 million of debt issuance cost)	738	737
Guaranteed Notes due 2027, $300 million, 8.1%	300	300
Guaranteed Notes due 2022, 750 million, 1.875% ($3 million of discount; $4 million of debt issuance cost)	828	
Other	10	44
Total	8,489	7,675
Less current maturities	(4)	(4)
Long-term debt	$ 8,485	$ 7,671

Our 5% senior notes due 2019 include a gain of $4 million and a loss of $15 million for the three and six months ended June 30, 2016, respectively, and gains of $22 million and $13 million for the three and six months ended June 30, 2015, and gains of $35 million for the year ended December 31, 2015, related to adjustments for our fixed-for-floating interest rate swaps, which are recognized in Interest expense in the Consolidated Statements of Income. Since inception in 2014, we have recognized net gains of $27 million related to adjustments for these fixed-for-floating interest rate swaps.

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

Millions of dollars

	June 30, 2016	December 31, 2015
$2,500 million Senior Revolving Credit Facility	$	$
$900 million U.S. Receivables Securitization Facility		
450 million European Receivables Securitization Facility		
Commercial paper	523	323
Financial payables to equity investees	4	4
Precious metal financings	89	26
Total short-term debt	$ 616	$ 353

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LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Long-Term Debt

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

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

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

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

Short-Term Debt

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

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

The facility contains customary covenants and warranties, including specified restrictions on indebtedness and liens. In addition, we are required to maintain a leverage ratio at the end of every quarter of 3.50 to 1.00 or less for the period covering the most recent four quarters. We are in compliance with these covenants as of June 30, 2016. At June 30, 2016, we had $523 million of outstanding commercial paper, no outstanding letters of credit and no outstanding borrowings under this facility.

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

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Debt Discount and Issuance Costs

In the six months ended June 30, 2016 and 2015, amortization of debt discounts and debt issuance costs resulted in amortization expense of $9 million and $8 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.

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

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

$434 million and $575 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 invest in tri-party repurchase agreements. Under these agreements, we make cash purchases of securities according to a pre-agreed profile from our counterparties. The counterparties have an obligation to repurchase, and we have an obligation to sell, the same or substantially the same securities at a pre-defined

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

date for a price equal to the purchase price plus interest. These securities, which pursuant to our policy are held by a third-party custodian and must generally have a minimum collateral value of 102%, secure the counterparty s obligation to repurchase the securities. Depending upon maturity, these tri-party repurchase agreements are treated as short-term loans receivable and are reflected in Prepaid expenses and other current assets or as long-term loans receivable reflected in Other investments and long-term receivables on our Consolidated Balance Sheets. The balance of our investment at June 30, 2016 and December 31, 2015 was $462 million and $387 million, respectively.

Commodity Prices We are exposed to commodity price volatility related to anticipated purchases of natural gas liquids, crude oil and other raw materials and sales of our products. We selectively use over-the counter commodity swaps, options and exchange traded futures contracts with various terms to manage the volatility related to these risks. In addition, we are exposed to volatility on the prices of precious metals to the extent that we have obligations, classified as embedded derivatives, tied to the price of precious metals associated with secured borrowings. All aforementioned contracts are generally limited to durations of one year or less. At June 30, 2016, commodity futures contracts in the notional amount of $95 million, maturing from July 2016 to November 2016, were outstanding.

Foreign Currency Rates We have significant worldwide operations. The functional currencies of our consolidated subsidiaries through which we operate are primarily the U.S. dollar and the euro. We enter into transactions denominated in currencies other than our designated functional currencies. As a result, we are exposed to foreign currency risk on receivables and payables. We maintain risk management control policies intended to monitor foreign currency risk attributable to our outstanding foreign currency balances. These control policies involve the centralization of foreign currency exposure management, the offsetting of exposures and the estimating of expected impacts of changes in foreign currency rates on our earnings. We enter into foreign currency forward contracts to reduce the effects of our net currency exchange exposures. At June 30, 2016, foreign currency forward contracts in the notional amount of $369 million, maturing from July 2016 through October 2016, were outstanding.

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

Foreign Currency Gain (Loss) Other income, net, in the Consolidated Statements of Income reflected losses of $3 million and $6 million for the three and six months ended June 30, 2016, and a loss of $4 million and a gain of $4 million for the three and six months ended June 30, 2015, respectively.

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	June 30, 2016		December 31, 2015	
Millions of dollars	**Notional Value**	**Fair Value Liabilities**	**Notional Value**	**Fair Value Assets**
Basis swaps expiring in 2016	$ 500	$ (2)	$ 500	$ 10
Basis swaps expiring in 2017	305	(1)	305	6
Basis swaps expiring in 2018	139	(1)	139	2

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

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

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

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

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

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

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

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

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

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

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

The following table summarizes our cross-currency swaps outstanding:

			June 30, 2016		December 31, 2015	
Millions of dollars, except expiration date and rates	**Expiration Date**	**Average Interest Rate**	**Notional Value**	**Fair Value**	**Notional Value**	**Fair Value**
Pay Euro	2021	4.55%	$ 1,000	$ 128	$ 1,000	$ 141
Receive U.S. dollars		6.00%				
Pay Euro	2024	4.37%	1,000	130	1,000	145
Receive U.S. dollars		5.75%				
Pay Euro	2027	3.69%	300	7	300	14
Receive U.S. dollars		5.49%				

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

Changes in the fair value of the derivatives and changes in the value of the hedged items based on changes in the benchmark interest rate are recorded as Interest expense in our Consolidated Statements of Income. We evaluate the effectiveness of the hedging relationship periodically and calculate the changes in the fair value of the derivatives and the underlying hedged items separately. We recognized net gains of $9 million and $18 million for the three and six months ended June 30, 2016, and net gains of $11 million and $22 million for the three and six months ended June 30, 2015, respectively, related to the ineffectiveness of our hedging relationships.

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

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Available-for-Sale Securities The following table summarizes the amortized cost, gross unrealized gains and losses, and fair value of available-for-sale securities measured on a recurring basis that are outstanding as of June 30, 2016 and December 31, 2015. Refer to Note 8 for additional information regarding the fair value of available-for-sale securities.

	June 30, 2016			
Millions of dollars	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Commercial paper	$ 245	$	$	$ 245
Bonds	81	1		82
Certificates of deposit	359			359
Limited partnership investments	350		(13)	337
Total available-for-sale securities	$ 1,035	$ 1	$ (13)	$ 1,023

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

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

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

As of June 30, 2016, the commercial paper securities held by the Company had maturities between seven and twelve months, bonds had maturities between two and thirty one months, certificates of deposit mature between seven and twenty one months, and limited partnership investments mature between one and three months.

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

Millions of dollars	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Proceeds from maturities of securities	$ 417	$ 10	$ 657	$ 182
Proceeds from sales of securities		550		815

No gain or loss was realized in connection with the sales of securities during the three and six months ended June 30, 2016. We recognized realized gains of less than $1 million in connection with the sale of securities during both the three and six months ended June 30, 2015.

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

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

	June 30, 2016			
	Less than 12 months		Greater than 12 months	
Millions of dollars	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Commercial paper	$ 139	$	$	$
Bonds	6			
Certificates of deposit	112			
Limited partnership investments	337	(13)		
Total	$ 594	$ (13)	$	$

	December 31, 2015			
	Less than 12 months		Greater than 12 months	
Millions of dollars	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Bonds	$ 46	$	$ 35	$
Certificates of deposit	150			

Limited partnership investments	345		(5)				
Total	$ 541	$	(5)	$	35	$	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Millions of dollars	Balance Sheet Classification	June 30, 2016 Notional Amount	June 30, 2016 Fair Value	December 31, 2015 Notional Amount	December 31, 2015 Fair Value
Assets					
Derivatives designated as net investment hedges:					
Basis swaps	Prepaid expenses and other current assets	$	$ 1	$ 500	$ 10
Basis swaps	Other assets			444	8
Derivatives designated as cash flow hedges:					
Cross-currency swaps	Other assets	2,300	256	2,300	291
Cross-currency swaps	Prepaid expenses and other current assets		9		9
Forward-starting interest rate swaps	Other assets			600	8
Derivatives designated as fair value hedges:					
Fixed-for-floating interest rate swaps	Other assets	2,000	51	2,000	19
Fixed-for-floating interest rate swaps	Prepaid expenses and other current assets		5		6
Derivatives not designated as hedges:					
Commodities	Prepaid expenses and other current assets	50	8	73	8
Embedded derivatives	Prepaid expenses and other current assets	11	2	42	4
Foreign currency	Prepaid expenses and other current assets	304	2	105	1
Non-derivatives:					
Available-for-sale securities	Short-term investments	1,032	1,023	1,073	1,064
		$ 5,697	$ 1,357	$ 7,137	$ 1,428

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		June 30, 2016		December 31, 2015	
Millions of dollars	**Balance Sheet Classification**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Liabilities					
Derivatives designated as net investment hedges:					
Basis swaps	Accrued liabilities	$ 500	$ 2	$	
	Other liabilities	444	3		
Forward exchange contracts	Accrued liabilities			795	24
Derivatives designated as cash flow hedges:					
Forward-starting interest rate swaps	Other liabilities	1,000	153	400	6
Derivatives not designated as hedges:					
Commodities	Accrued liabilities	45	1	67	2
Embedded derivatives	Accrued liabilities	79	18	21	
Foreign currency	Accrued liabilities	65		75	3
Non-derivatives:					
Performance share awards	Accrued liabilities	11	11	23	23
Performance share awards	Other liabilities	12	12	17	17
		$ 2,156	$ 200	$ 1,398	$ 75

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

	Effect of Financial Instruments Three Months Ended June 30, 2016			
Millions of dollars	**Gain (Loss) Recognized in AOCI**	**Gain (Loss) Reclassified from AOCI to Income**	**Additional Gain (Loss) Recognized in Income**	**Income Statement Classification**
Derivatives designated as net investment hedges:				
Basis swaps	$ 23	$	$	Other income, net
Derivatives designated as cash-flow hedges:				
Cross-currency swaps	71	(43)		Other income, net
Forward-starting interest rate swaps	(66)			Interest expense
Derivatives designated as fair value hedges:				
Fixed-for-floating interest rate swaps			11	Interest expense
Derivatives not designated as hedges:				
Commodities			11	Sales and other operating revenues
Commodities			(8)	Cost of sales
Embedded derivatives			(12)	Cost of sales
Foreign currency			(7)	Other income, net
Non-derivatives designated as net investment hedges:				
Euro notes payable	18			Other income, net
	$ 46	$ (43)	$ (5)	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended June 30, 2015			
Millions of dollars	**Gain (Loss) Recognized in AOCI**	**Gain (Loss) Reclassified from AOCI to Income**	**Additional Gain (Loss) Recognized in Income**	**Income Statement Classification**
Derivatives designated as cash-flow hedges:				
Cross-currency swaps	$ (70)	$ 67	$	Other income, net
Forward-starting interest rate swaps	95		1	Interest expense
Derivatives designated as fair value hedges:				
Fixed-for-floating interest rate swaps			(3)	Interest expense
Derivatives not designated as hedges:				
Commodities			12	Sales and other operating revenues
Commodities			8	Cost of sales
Embedded derivatives			4	Cost of sales
Foreign currency			19	Other income, net
	$ 25	$ 67	$ 41	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Effect of Financial Instruments Six Months Ended June 30, 2016			
Millions of dollars	Gain (Loss) Recognized in AOCI	Gain (Loss) Reclassified from AOCI to Income	Additional Gain (Loss) Recognized in Income	Income Statement Classification
Derivatives designated as net investment hedges:				
Basis swaps	$ (17)	$	$	Other income, net
Forward exchange contracts	(30)			Other income, net
Derivatives designated as cash-flow hedges:				
Cross-currency swaps	(35)	47		Other income, net
Forward-starting interest rate swaps	(154)		(1)	Interest expense
Derivatives designated as fair value hedges:				
Fixed-for-floating interest rate swaps			44	Interest expense
Derivatives not designated as hedges:				
Commodities			10	Sales and other operating revenues
Commodities			(2)	Cost of sales
Embedded derivatives			(20)	Cost of sales
Foreign currency			12	Other income, net
Non-derivatives designated as net investment hedges:				
Euro notes payable	14			Other income, net
	$ (222)	$ 47	$ 43	

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	Six Months Ended June 30, 2015			
Millions of dollars	**Gain (Loss) Recognized in AOCI**	**Gain (Loss) Reclassified from AOCI to Income**	**Additional Gain (Loss) Recognized in Income**	**Income Statement Classification**
Derivatives designated as cash-flow hedges:				
Cross-currency swaps	$ 197	$ (153)	$	Other income, net
Forward-starting interest rate swaps	80		1	Interest expense
Derivatives designated as fair value hedges:				
Fixed-for-floating interest rate swaps			25	Interest expense
Derivatives not designated as hedges:				
Commodities			9	Sales and other operating revenues
Commodities			9	Cost of sales
Embedded derivatives			7	Cost of sales
Foreign currency			(59)	Other income, net
	$ 277	$ (153)	$ (8)	

The pretax effect of additional gain recognized in income for the fixed-for-floating interest rate swaps includes the net value for accrued interest of $5 million and $11 million for the three and six months ended June 30, 2016, and $7 million and $15 million for the three and six months ended June 30, 2015, respectively.

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8. Fair Value Measurement

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

	June 30, 2016			
Millions of dollars	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Derivatives:				
Basis swaps	$ 1	$	$ 1	$
Cross-currency swaps	265		265	
Fixed-for-floating interest rate swaps	56		56	
Commodities	8	1	7	
Embedded derivatives	2		2	
Foreign currency	2		2	
Non-derivatives:				
Available-for-sale securities	686		686	
Available-for-sale securities measured at net asset value*	337			
	$ 1,357	$ 1	$ 1,019	$
Liabilities				
Derivatives:				
Basis swaps	$ 5	$	$ 5	$
Forward-starting interest rate swaps	153		153	
Commodities	1	1		
Embedded derivatives	18		18	
Non-derivatives:				
Performance share awards	23	23		
	$ 200	$ 24	$ 176	$

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	June 30, 2016				
Millions of dollars	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Non-derivatives:					
Assets:					
Short-term loans receivable	$ 462	$ 462	$	$ 462	$
Liabilities:					
Short-term debt	$ 89	$ 123	$	$ 123	$
Long-term debt	8,482	9,487		9,485	2
Total	$ 8,571	$ 9,610	$	$ 9,608	$ 2

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Pension and Other Postretirement Benefits

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

	U.S. Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2016**	**2015**	**2016**	**2015**
Service cost	$ 11	$ 11	$ 22	$ 22
Interest cost	22	22	44	43
Expected return on plan assets	(35)	(37)	(70)	(73)
Actuarial and investment loss amortization	5	3	10	6
Net periodic benefit costs (credits)	$ 3	$ (1)	$ 6	$ (2)

	Non-U.S. Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2016**	**2015**	**2016**	**2015**
Service cost	$ 8	$ 8	$ 16	$ 17
Interest cost	8	11	16	20
Expected return on plan assets	(6)	(7)	(12)	(13)
Prior service cost amortization		1		1
Actuarial and investment loss amortization	2	2	4	4
Net periodic benefit costs (credits)	$ 12	$ 15	$ 24	$ 29

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

	U.S. Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2016**	**2015**	**2016**	**2015**
Service cost	$ 1	$ 1	$ 2	$ 2
Interest cost	3	3	6	7
Actuarial loss amortization		1		1
Net periodic benefit costs (credits)	$ 4	$ 5	$ 8	$ 10

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Non-U.S. Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2016**	**2015**	**2016**	**2015**
Service cost	$	$	$ 1	$
Interest cost	1		1	1
Actuarial loss amortization		1	1	2
Net periodic benefit costs (credits)	$ 1	$ 1	$ 3	$ 3

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2016**	**2015**	**2016**	**2015**
Pension plans	$ 15	$ 14	$ 30	$ 27
Other postretirement benefit plans	5	6	11	13
Net periodic benefit costs (credits)	$ 20	$ 20	$ 41	$ 40

10. Income Taxes

Our effective income tax rate for the second quarter of 2016 was 24.1% compared with 29.0% for the second quarter of 2015. For the first six months of 2016, the effective income tax rate was 26.8% compared with 28.2% for the first six months of 2015. Our effective tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, the U.S. domestic production activity deduction, changes in valuation allowances and changes in unrecognized tax benefits associated with uncertain tax positions.

Compared with the second quarter of 2015, the lower effective tax rate for the second quarter of 2016 was primarily attributable to the impact of a change in non-U.S. tax law on our deferred tax liabilities, an increase in exempt income, and changes in pretax income in countries with varying statutory tax rates, partially offset by other adjustments to our deferred tax liabilities. Compared with the first six months of 2015, the lower effective tax rate for the first six months of 2016 was primarily attributable to the impact of a change in tax law on our deferred tax liabilities, an increase in exempt income, changes in pretax income in countries with varying statutory tax rates, and changes in valuations allowances, partially offset by adjustments to our deferred tax liabilities and an increase in foreign exchange gains.

A portion of the Company s interest income from internal financing is either untaxed or taxed at rates substantially lower than the U.S. statutory rate. This treatment may be prospectively impacted by potential changes in the law, including adoption of certain proposals for base erosion and profit shifting.

We monitor income tax developments in countries where we conduct business. Management does not believe that recent changes in income tax laws will have a material impact on our Consolidated Financial Statements, although new or proposed changes to tax laws could affect our tax liabilities in the future.

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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 $110 million and $106 million as of June 30, 2016 and December 31, 2015, respectively. At June 30, 2016, the accrued liabilities for individual sites range from less than $1 million to $27 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	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Beginning balance	$ 106	$ 106
Changes in estimates	10	3
Amounts paid	(8)	(3)
Foreign exchange effects	2	(6)
Ending balance	$ 110	$ 100

Access Indemnity Demand In December 2010, one of our subsidiaries received demand letters from affiliates of Access Industries (collectively, Access Entities), a more than five percent shareholder of the Company, demanding indemnity for losses, including attorney s fees and expenses, arising out of a pending lawsuit styled *Edward S. Weisfelner, as Litigation Trustee of the LB Litigation Trust v. Leonard Blavatnik, et al.,* Adversary Proceeding No. 09-1375 (REG), in the United States Bankruptcy Court, Southern District of New York. In the *Weisfelner* lawsuit, the plaintiffs seek to recover from Access the return of all amounts earned by the Access Entities related to their purchase of shares of Lyondell Chemical prior to its acquisition by Basell AF S.C.A.; distributions by Basell AF S.C.A. to its shareholders before it acquired Lyondell Chemical; and management and transaction fees and expenses. A trial has been scheduled to begin the week of October 17, 2016.

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

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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.

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Stockholders Equity

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

Millions of dollars, except per share amounts	Dividend Per Ordinary Share	Aggregate Dividends Paid	Date of Record
March	$ 0.78	$ 336	February 29, 2016
June	0.85	362	May 24, 2016
	$ 1.63	$ 698	

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

	Six Months Ended June 30, 2016		
Millions of dollars, except shares and per share amounts	Shares Repurchased	Average Purchase Price	Total Purchase Price, Including Commissions
May 2015 Share Repurchase Program	15,302,707	$ 80.15	$ 1,226
May 2016 Share Repurchase Program	5,837,691	79.21	463
	21,140,398	$ 79.89	$ 1,689

	Six Months Ended June 30, 2015		
Millions of dollars, except shares and per share amounts	Shares Repurchased	Average Purchase Price	Total Purchase Price, Including Commissions
April 2014 Share Repurchase Program	19,892,101	$ 86.40	$ 1,719

May 2015 Share Repurchase Program	3,728,610	102.87	383
	23,620,711	$ 89.00	$ 2,102

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Due to the timing of settlements, total cash paid for share repurchases for the six months ended June 30, 2016 and 2015 was $1,682 million and $2,137 million, respectively.

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

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Ordinary shares outstanding:		
Beginning balance	440,150,069	486,969,402
Share-based compensation	325,997	4,715,684
Warrants exercised		1,602
Employee stock purchase plan	45,898	15,741
Purchase of ordinary shares	(21,140,398)	(23,620,711)
Ending balance	419,381,566	468,081,718

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

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Ordinary shares held as treasury shares:		
Beginning balance	138,285,201	91,463,729
Share-based compensation	(325,997)	(4,715,684)
Warrants exercised		150
Employee stock purchase plan	(45,898)	(15,741)
Purchase of ordinary shares	21,140,398	23,620,711
Ending balance	159,053,704	110,353,165

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Millions of dollars	Financial Derivatives	Net Unrealized Holding Gains on Investments Net of Tax	Defined Pension and Other Postretirement Benefit Plans	Foreign Currency Translation Adjustments	Total
Balance January 1, 2016	$ (79)	$ (5)	$ (428)	$ (926)	$ (1,438)
Other comprehensive income (loss) before reclassifications	(148)	(6)		63	(91)
Amounts reclassified from accumulated other comprehensive loss	47		10		57
Net other comprehensive income (loss)	(101)	(6)	10	63	(34)
Balance June 30, 2016	$ (180)	$ (11)	$ (418)	$ (863)	$ (1,472)
Balance January 1, 2015	$ (80)	$	$ (449)	$ (497)	$ (1,026)
Other comprehensive income (loss) before reclassifications	213			(351)	(138)
Amounts reclassified from accumulated other comprehensive income	(153)		10		(143)
Net other comprehensive income (loss)	60		10	(351)	(281)
Balance June 30, 2015	$ (20)	$	$ (439)	$ (848)	$ (1,307)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,		Affected line item on the Consolidated
Millions of dollars	**2016**	**2015**	**2016**	**2015**	**Statements of Income**
Reclassification adjustments for:					
Defined pension and other postretirement benefit plan items:					
Amortization of:					
Prior service cost	$	$ 1	$	$ 1	
Actuarial loss	7	7	15	13	
Financial derivatives:					
Cross-currency swaps	(43)	67	47	(153)	Other income, net
Reclassifications, before tax	(36)	75	62	(139)	
Income tax expense	2	2	5	4	Provision for income taxes
Amounts reclassified out of Accumulated other comprehensive income (loss)	$ (38)	$ 73	$ 57	$ (143)	

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).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Per Share Data

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

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

	Three Months Ended June 30,			
	2016		2015	
Millions of dollars	**Continuing Operations**	**Discontinued Operations**	**Continuing Operations**	**Discontinued Operations**
Net income (loss)	$ 1,092	$ (1)	$ 1,326	$ 3
Less: net loss attributable to non-controlling interests			1	
Net income (loss) attributable to the Company shareholders	1,092	(1)	1,327	3
Net income attributable to participating securities	(1)		(2)	
Net income (loss) attributable to ordinary shareholders basic and diluted	$ 1,091	$ (1)	$ 1,325	$ 3
Millions of shares, except per share amounts				
Basic weighted average common stock outstanding	424	424	472	472
Effect of dilutive securities:				
Stock options				
QPA and PSU awards	1	1		
Potential dilutive shares	425	425	472	472
Earnings (loss) per share:				
Basic	$ 2.57	$	$ 2.81	$ 0.01
Diluted	$ 2.56	$	$ 2.81	$ 0.01
Millions of shares				
Participating securities	0.4	0.4	0.5	0.5
Dividends declared per share of common stock	$ 0.85	$	$ 0.78	$

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Six Months Ended June 30,			
	2016		2015	
Millions of dollars	**Continuing Operations**	**Discontinued Operations**	**Continuing Operations**	**Discontinued Operations**
Net income (loss)	$ 2,122	$ (1)	$ 2,493	$
Less: net loss attributable to non-controlling interests			3	
Net income (loss) attributable to the Company shareholders	2,122	(1)	2,496	
Net income attributable to participating securities	(2)		(6)	
Net income (loss) attributable to ordinary shareholders basic and diluted	$ 2,120	$ (1)	$ 2,490	$
Millions of shares, except per share amounts				
Basic weighted average common stock outstanding	428	428	475	475
Effect of dilutive securities:				
Stock options			2	2
QPA and PSU awards	1	1		
Potential dilutive shares	429	429	477	477
Earnings (loss) per share:				
Basic	$ 4.94	$	$ 5.24	$
Diluted	$ 4.93	$	$ 5.22	$
Millions of shares				
Participating securities	0.4	0.4	0.5	0.5
Dividends declared per share of common stock	$ 1.63	$	$ 1.48	$

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Segment and Related Information

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Millions of dollars	Three Months Ended June 30, 2016 O&P Americas	O&P EAI	I&D	Refining	Technology	Other	Total
Sales and other operating revenues:							
Customers	$ 1,643	$ 2,675	$ 1,741	$ 1,166	$ 102	$ 1	$ 7,328
Intersegment	568	46	28	123	27	(792)	
	2,211	2,721	1,769	1,289	129	(791)	7,328
Income from equity investments	20	96	1				117
EBITDA	754	576	397	(13)	73	(4)	1,783

Millions of dollars	Three Months Ended June 30, 2015 O&P Americas	O&P EAI	I&D	Refining	Technology	Other	Total
Sales and other operating revenues:							
Customers	$ 1,977	$ 3,011	$ 2,116	$ 1,955	$ 86	$	$ 9,145
Intersegment	702	50	43	147	21	(963)	
	2,679	3,061	2,159	2,102	107	(963)	9,145
Income from equity investments	8	79	3				90
EBITDA	1,014	492	466	159	57	(2)	2,186

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Six Months Ended June 30, 2016						
Millions of dollars	**O&P Americas**	**O&P EAI**	**I&D**	**Refining**	**Technology**	**Other**	**Total**
Sales and other operating revenues:							
Customers	$ 3,238	$ 5,220	$ 3,417	$ 1,987	$ 208	$ 1	$ 14,071
Intersegment	1,088	79	54	257	53	(1,531)	
	4,326	5,299	3,471	2,244	261	(1,530)	14,071
Income from equity investments	42	165	1				208
EBITDA	1,632	1,085	723	1	156	(7)	3,590

	Six Months Ended June 30, 2015						
Millions of dollars	**O&P Americas**	**O&P EAI**	**I&D**	**Refining**	**Technology**	**Other**	**Total**
Sales and other operating revenues:							
Customers	$ 3,830	$ 5,874	$ 3,992	$ 3,439	$ 195	$	$ 17,330
Intersegment	1,400	98	85	270	48	(1,901)	
	5,230	5,972	4,077	3,709	243	(1,901)	17,330
Income from equity investments	15	136	8				159
EBITDA	2,045	849	803	308	133		4,138

Operating results for our O&P EAI segment includes a reversal of the first quarter 2016 non-cash, lower of cost or market (LCM) inventory valuation charge of $40 million necessitated by the recovery of market prices for several of our polyolefins products and naphtha. A recovery in market prices for benzene and styrene also necessitated the reversal of the $28 million LCM inventory valuation charge recognized in the first quarter of 2016 by our I&D segment. In the first six months of 2016, our O&P Americas and O&P EAI segments also benefited from gains of $57 million and $21 million, respectively, related to the sale of our wholly owned subsidiary, Petroken Petroquimica Ensenada S.A.

Operating results for our O&P Americas segment include a non-cash benefit of $21 million in the second quarter of 2015, which is a partial reversal of the $43 million non-cash LCM inventory valuation adjustment recognized in the first quarter of 2015. This LCM reversal was predicated on price recoveries of certain products within the O&P Americas segment s inventory pools. Similarly, the recovery of prices within our Refining segment s inventory pool in the second quarter of 2015 resulted in the reversal of the $5 million LCM adjustment recognized in the first quarter of 2015. Operating results for our I&D segment reflect non-cash charges of $17 million and $61 million in the second quarter and first six months of 2015, respectively, related to LCM inventory valuation adjustments driven by declines in the prices of various chemical products within its inventory pools.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2016**	**2015**	**2016**	**2015**
EBITDA:				
Total segment EBITDA	$ 1,787	$ 2,188	$ 3,597	$ 4,138
Other EBITDA	(4)	(2)	(7)	
Less:				
Depreciation and amortization expense	(266)	(247)	(534)	(534)
Interest expense	(83)	(79)	(165)	(148)
Add:				
Interest income	4	7	9	18
Income from continuing operations before income taxes	$ 1,438	$ 1,867	$ 2,900	$ 3,474

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

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

GENERAL

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

OVERVIEW

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

Operating results for the second quarter of 2016 were generally similar to results achieved in the first quarter of 2016, excluding the first quarter 2016 gain from the sale of our wholly owned Argentine subsidiary and maintenance activities in both periods. Balance across our business portfolio enabled us to generate steady earnings with continued strong polyolefin performance in the first six months of 2016. Fuel margins in the second quarter were seasonally higher than in the first quarter of 2016. However, due to a disruption in April 2016 at our Houston refinery, the second quarter benefits of higher fuel margins were only reflected in our I&D segment s TBA chain products.

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

- Decreases in ethylene and co-product prices and lower production due to turnaround activity, which resulted in lower U.S. olefins results, partially offset by improved polypropylene results;

- Improved European polyolefins results due to higher product spreads over ethylene and propylene feedstock prices, partially offset by a decline in olefin results stemming from lower margins and production volumes constrained by turnaround activity;

- Lower margins for a portion of our I&D segment products due to crude and gasoline-related product prices and increased industry supply for certain products; and

- Margin declines and more than a 25% reduction in 2016 throughput due to planned maintenance in the first quarter of 2016 and operating issues, including a coker unit fire, in the second quarter, negatively impacted results for our Refining segment.

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

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

Repurchases of approximately 9 million and 21 million of our outstanding ordinary shares during the second quarter and first six months of 2016; completing our May 2015 authorization and commencing purchases under our May 2016 authorization;

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

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

The sale of our wholly owned Argentine subsidiary for $184 million, with net cash proceeds of $137 million. Results of operations for the periods discussed are presented in the table below.

Millions of dollars	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Sales and other operating revenues	$ 7,328	$ 9,145	$ 14,071	$ 17,330
Cost of sales	5,702	7,047	10,868	13,426
Selling, general and administrative expenses	199	228	392	433
Research and development expenses	24	25	48	51
Operating income	1,403	1,845	2,763	3,420
Interest expense	(83)	(79)	(165)	(148)
Interest income	4	7	9	18
Other income, net	(3)	4	85	25
Income from equity investments	117	90	208	159
Provision for income taxes	346	541	778	981
Income from continuing operations	1,092	1,326	2,122	2,493
Income (loss) from discontinued operations, net of tax	(1)	3	(1)	
Net income	$ 1,091	$ 1,329	$ 2,121	$ 2,493

RESULTS OF OPERATIONS

Revenues Revenues decreased by $1,817 million, or 20%, in the second quarter of 2016 compared to the second quarter of 2015 and by $3,259 million, or 19%, in the first six months of 2016 compared to the first six months of 2015.

In the second quarter and first six months of 2016, lower average sales prices driven by decreases in the prices of crude oil and other feedstocks led to revenue declines of 18% and 16%, respectively. Revenue declines of 3% in each of the second quarter and first six months of 2016 were driven by lower sales volumes in our Refining segment during those periods and by lower volumes in our O&P Americas segment during the second quarter of 2016. These declines were partially offset by higher volumes in our I&D segment in both 2016 periods and by modest increases in volumes in our O&P EAI and O&P Americas segments in the second quarter and first six months of 2016, respectively. Turnaround activities and unplanned outages were the main factors for the lower sales volumes.

Translation impacts resulting from changes in the euro/U.S. dollar exchange rate were responsible for the remaining changes in revenues.

Cost of Sales Cost of sales decreased by $1,345 million, or 19%, and $2,558 million, or 19%, in the second quarter and first six months of 2016 compared to the second quarter and first six months of 2015, respectively, primarily due to the decline in feedstock and energy costs.

Cost of sales in the second quarter of 2016 includes a pre-tax benefit totaling $68 million for the reversal of non-cash, lower of cost or market (LCM) inventory valuation adjustments recognized in our O&P EAI and I&D segments during the first quarter of 2016. See the Critical Accounting Policies section herein for additional information related to this reversal. Cost of sales in the first six months of 2015 included pre-tax charges totaling $118 million, including net non-cash LCM inventory valuation adjustments in our O&P Americas and I&D segments totaling $83 million and amortization of $35 million associated with the expiration of emission allowance credits in our Refining and I&D segments.

Operating Income Operating income decreased by $442 million in the second quarter of 2016 compared to the second quarter of 2015 and by $657 million in the first six months of 2016 compared to the first six months of 2015.

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Operating income in the second quarters of 2016 and 2015 include benefits of $68 million and $9 million, respectively, from reversals of LCM inventory valuation adjustments recognized in the first quarters of each year. Operating income for the first six months of 2015 included the negative impacts of the $83 million of LCM inventory valuation adjustments and the $35 million of emission credit allowances amortization discussed above.

Absent these items, operating income was lower by $501 million and $775 million in the second quarter and first six months of 2016, respectively, compared to the same periods in 2015. The results of our O&P Americas, Refining and I&D segments, which declined in the second quarter by $253 million, $167 million and $123 million, respectively, and in the first six months of 2016 by $523 million, $309 million and $155 million, respectively, were the main drivers of the lower operating income. These negative impacts were offset in part by improvements in our O&P EAI and Technology segments in the second quarter and first six months of 2016. Results for each of our business segments are discussed further in the Segment Analysis section below.

Interest Expense Interest expense in the second quarter and first six months of 2016 increased by $4 million and $17 million over the second quarter and first six months of 2015, respectively, primarily due to approximately $4 million and $14 million of higher interest expense as a result of debt issuances in March 2016 and 2015 related to our 1.875% guaranteed notes due 2022 in March 2016 and our 4.625% senior notes due 2055 in March 2015. Reductions in the benefits from our fixed-for-floating interest rate swaps and cross-currency swaps of $11 million in the first six months of 2016 also contributed to the increased interest expense in that period. See Notes 5, 6 and 7 for additional information related to these swaps.

Other Income, Net Other income, net of $85 million in the first six months of 2016 reflects a $60 million increase relative to the same period in 2015, largely due to a $78 million gain related to the sale of our wholly owned Argentine subsidiary. We allocated $57 million and $21 million of the gain to our O&P Americas and O&P EAI segments, respectively.

Income from Equity Investments Income from equity investments increased by $27 million and $49 million in the second quarter and first six months of 2016, respectively, compared to the second quarter and first six months of 2015.

These improvements reflect the impacts of higher volumes and spreads at our joint venture in Mexico due to strong polypropylene demand in the second quarter and first six months of 2016. Higher margins at our Polish joint venture also contributed to the improvement in the first six months of 2016.

Income Tax Our effective income tax rate for the second quarter of 2016 was 24.1% compared with 29.0% for the second quarter of 2015. For the first six months of 2016, the effective income tax rate was 26.8% compared with 28.2% for the first six months of 2015. Our effective tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, the U.S. domestic production activity deduction, changes in valuation allowances and changes in unrecognized tax benefits associated with uncertain tax positions.

Compared with the second quarter of 2015, the lower effective tax rate for the second quarter of 2016 was primarily attributable to the impact of a change in non-U.S. tax law on our deferred tax liabilities (-3.5%), an increase in exempt income (-1.8%), and changes in pretax income in countries with varying statutory tax rates (-1.0%), partially offset by adjustments to our deferred tax liabilities (1.5%). Compared with the first six months of 2015, the lower effective tax rate for the first six months of 2016 was primarily attributable to the impact of a change in tax law on our deferred tax liabilities (-1.7%), an increase in exempt income (-1.3%), changes in pretax income in countries with varying statutory tax rates (-0.6%), and changes in valuations allowances (-0.6%), partially offset by adjustments to our deferred tax liabilities (2.1%) and an increase in foreign exchange gains (0.8%).

Comprehensive Income Comprehensive income decreased by $573 million and $128 million in the second quarter and first six months of 2016 compared to the same periods in 2015. These decreases reflect lower net income and the unfavorable impacts of financial derivative adjustments. These decreases were supplemented in the second quarter of 2016 by the unfavorable impact of unrealized net changes in foreign currency translation adjustments, and in the first six months of 2016 partly offset by the favorable impact of unrealized net changes in foreign currency translation adjustments.

The predominant functional currency for our operations outside of the U.S. is the euro. Relative to the U.S. dollar, the value of the euro decreased during the second quarter of 2016 and increased in the first six months of 2016, resulting in losses and gains, respectively, as reflected in the Consolidated Statements of Comprehensive Income. These losses and gains were partly offset by pre-tax gains of $23 million and pre-tax net losses of $47 million in the second quarter and first six months of 2016, respectively, which represent the effective portion of the unrealized losses of our financial derivatives designated as net investment hedges.

In the second quarter and first six months of 2016, the cumulative effects of our derivatives designated as cash flow hedges were gains of $5 million and losses of $189 million, respectively. The euro weakened against the U.S. dollar in the second quarter of 2016 and strengthened in relation to the U.S. dollar in the first six months of 2016 resulting in pre-tax gains of $71 million and pre-tax losses of $35 million, respectively, related to our cross currency swaps. Pre-tax losses of $43 million and pre-tax gains of $47 million related to our cross currency swaps were reclassification adjustments included in net income in the second quarter and first six months of 2016, respectively. Unrealized losses of $66 million and $154 million in the second quarter and first six months of 2016 related to forward-starting interest rate swaps were driven by decreases in benchmark interest rates during those periods.

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Segment Analysis

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2016**	**2015**	**2016**	**2015**
Sales and other operating revenues:				
O&P Americas segment	$ 2,211	$ 2,679	$ 4,326	$ 5,230
O&P EAI segment	2,721	3,061	5,299	5,972
I&D segment	1,769	2,159	3,471	4,077
Refining segment	1,289	2,102	2,244	3,709
Technology segment	129	107	261	243
Other, including intersegment eliminations	(791)	(963)	(1,530)	(1,901)
Total	$ 7,328	$ 9,145	$ 14,071	$ 17,330
Operating income:				
O&P Americas segment	$ 646	$ 920	$ 1,353	$ 1,854
O&P EAI segment	423	359	781	595
I&D segment	327	405	582	676
Refining segment	(53)	119	(83)	193
Technology segment	62	45	135	109
Other, including intersegment eliminations	(2)	(3)	(5)	(7)
Total	$ 1,403	$ 1,845	$ 2,763	$ 3,420
Depreciation and amortization:				
O&P Americas segment	$ 88	$ 85	$ 178	$ 171
O&P EAI segment	58	54	113	109
I&D segment	69	56	139	116
Refining segment	40	40	83	114
Technology segment	11	12	21	24
Total	$ 266	$ 247	$ 534	$ 534
Income from equity investments:				

O&P Americas segment	$	20	$	8	$	42	$	15
O&P EAI segment		96		79		165		136
I&D segment		1		3		1		8
Total	$	117	$	90	$	208	$	159

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Millions of dollars	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Other income (expense), net:				
O&P Americas segment	$	$ 1	$ 59	$ 5
O&P EAI segment	(1)		26	9
I&D segment		2	1	3
Refining segment			1	1
Other, including intersegment eliminations	(2)	1	(2)	7
Total	$ (3)	$ 4	$ 85	$ 25
EBITDA:				
O&P Americas segment	$ 754	$ 1,014	$ 1,632	$ 2,045
O&P EAI segment	576	492	1,085	849
I&D segment	397	466	723	803
Refining segment	(13)	159	1	308
Technology segment	73	57	156	133
Other, including intersegment eliminations	(4)	(2)	(7)	
Total	$ 1,783	$ 2,186	$ 3,590	$ 4,138

Olefins and Polyolefins Americas Segment

Overview EBITDA for the second quarter and first six months of 2016 reflects lower olefins results, partially offset by improved polypropylene results. EBITDA for the first six months of 2016 benefited from a $57 million gain on the sale of our wholly owned Argentine subsidiary in February 2016. EBITDA for the second quarter 2015 included a $21 million benefit associated with the partial reversal of the $43 million first quarter 2015 LCM adjustment leaving a net charge of $22 million in the first six months of 2015.

Ethylene Raw Materials Production economics for the industry have favored natural gas liquids (NGLs) in recent years. Although the decline in oil prices significantly reduced the cost of ethylene produced from crude oil based liquids (heavy liquids) beginning in the latter part of 2014, NGL prices also declined and they continued to be preferred feedstocks. We produced approximately 90% of our U.S. ethylene production from NGLs during each of the second quarters and first six months of 2016 and 2015. The following table sets forth selected financial information for the O&P Americas segment including Income from equity investments, which is a component of EBITDA.

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

Millions of dollars	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Sales and other operating revenues	$ 2,211	$ 2,679	$ 4,326	$ 5,230
Income from equity investments	20	8	42	15
EBITDA	754	1,014	1,632	2,045

Revenues Revenues for our O&P Americas segment decreased by $468 million, or 17%, in the second quarter of 2016 compared to the second quarter of 2015 and by $904 million, or 17%, in the first six months of 2016 compared to the first six months of 2015.

The decline in average sales prices for most products in the second quarter and first six months of 2016 reflects decreases in feedstock prices that are correlated to the price of crude oil, which declined relative to the corresponding periods in 2015. This led to revenue decreases of 13% and 19% in the second quarter and first six months of 2016, respectively.

In the second quarter and first six months of 2016, product sales volumes were lower due to turnaround activities, primarily at our Corpus Christi, Texas facility. Polypropylene sales volumes were also lower in both 2016 periods following the sale of our Argentine subsidiary. These factors were responsible for a revenue decrease of 4% in the second quarter of 2016 but in the first six months of 2016, the impact of these factors was more than offset by increased sales of feedstocks, which led to a 2% revenue increase in that period.

EBITDA EBITDA decreased by $260 million, or 26%, in the second quarter of 2016 compared to the second quarter of 2015 and by $413 million, or 20%, in the first six months of 2016 compared to the first six months of 2015. EBITDA for the second quarter of 2016 includes a 2% decrease related to the absence of the second quarter 2015 LCM reversal of $21 million discussed above. EBITDA for the first six months of 2016 includes a 4% increase related to the absence of the net LCM charge of $22 million recognized in the first six months of 2015 and the $57 million gain on the sale of our wholly owned subsidiary discussed above.

Lower olefin margins were partially offset by the impact of higher polypropylene margins in the second quarter and first six months of 2016. The 2016 olefins margin decline reflected lower average sales prices for ethylene due to the impact of lower naphtha feedstock prices on global ethylene, additional U.S. ethylene supply relative to the prior year periods and the increased cost of ethylene production as decreases in heavy liquid feedstock costs were outpaced by the decreases in co-product prices. Higher polypropylene margins in the second quarter and first six months of 2016 reflect the benefits of lower propylene feedstock costs and higher average polypropylene sales prices driven by a tight U.S. supply/demand balance. Collectively, these margin impacts led to decreases in EBITDA of 6% and 13% during the second quarter and first six months of 2016, respectively.

Lower volumes, primarily reflecting the declines in olefins production due mainly to the impacts of current and upcoming turnarounds contributed to decreases in EBITDA of 19% and 12% in the second quarter and first six months of 2016, respectively.

Improvements in income from our equity investments contributed a 1% increase to EBITDA in each of the second quarter and first six months of 2016 over the prior year periods.

Olefins and Polyolefins Europe, Asia, International Segment

Overview Higher operating results in the second quarter and first six months of 2016 reflect higher European polyolefin margins due to decreased feedstock prices and strong demand. These benefits were offset in part by lower olefins volumes due to turnaround activity at our facility in Berre, France and in the second quarter of 2016, by lower olefins margins.

Second quarter 2016 EBITDA also benefited from the recovery of market prices for several of our polyolefins products and naphtha which necessitated the reversal of the $40 million non-cash inventory valuation charge recorded in the first quarter of 2016. EBITDA for the first six months of 2016 reflects the $21 million gain on the first quarter 2016 sale of our wholly owned Argentine subsidiary.

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

Millions of dollars	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Sales and other operating revenues	$ 2,721	$ 3,061	$ 5,299	$ 5,972
Income from equity investments	96	79	165	136
EBITDA	576	492	1,085	849

Revenues Revenues decreased by $340 million, or 11%, in the second quarter of 2016 compared to the second quarter of 2015 and by $673 million, or 11%, in the first six months of 2016 compared to the first six months of 2015.

Lower average sales prices decreased revenues by 15% and 11% in the second quarter and first six months of 2016, respectively. Average sales prices were lower across most products as sales prices generally correlate with crude oil prices, which have declined compared to the second quarter and first six months of 2015.

A modest increase in second quarter 2016 sales volumes and favorable foreign exchange impacts each resulted in revenue increases of 2% relative to the corresponding 2015 period.

EBITDA EBITDA increased by $84 million, or 17%, in the second quarter of 2016 compared to the second quarter of 2015 and by $236 million, or 28%, in the first six months of 2016 compared to the first six months of 2015.

Polyolefins margins in Europe improved in the second quarter and first six months of 2016, reflecting a strong supply/demand balance and lower feedstock costs. A decrease in olefins margins, driven by average ethylene and propylene sales prices that declined more than feedstock costs, partially offset the second quarter increase in polyolefins margins. These margin impacts resulted in improvements in EBITDA of 7% and 26%, respectively, in the second quarter and first six months of 2016 EBITDA.

The benefit attributed to the $40 million reversal of the first quarter 2016 LCM inventory valuation charge resulted in an 8% increase in EBITDA for the second quarter of 2016. The $21 million gain from the sale of our wholly owned Argentine subsidiary resulted in a 3% increase in EBITDA for the first six months of 2016.

Improvements in income from our equity investments in the second quarter and first six months of 2016 also boosted EBITDA by 3% in each period.

These increases were partly offset by the negative 2% and 3% impacts of volumes on EBITDA in the second quarter and first six months of 2016, respectively, due to lower olefins volumes driven by turnaround activity. The impact of the lower olefins volumes was partly offset by increased volumes for PP compounds in the second quarter and first six months of 2016.

Foreign exchange impacts were responsible for the remaining changes in EBITDA during each 2016 period.

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Intermediates and Derivatives Segment

Overview Operating results for the second quarter and first six months of 2016 were lower than the second quarter and first six months of 2015, with lower margins in certain products being partially offset by the impact of higher volumes. EBITDA for the second quarter of 2016 benefited from the absence of the $17 million LCM inventory valuation charge recognized in the second quarter of 2015 and the reversal of the $28 million first quarter 2016 non-cash LCM inventory valuation charge due to product price recoveries. EBITDA for the first six months of 2016 benefited from the absence of the $61 million LCM inventory valuation adjustments recognized in the first six months of 2015.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2016**	**2015**	**2016**	**2015**
Sales and other operating revenues	$ 1,769	$ 2,159	$ 3,471	$ 4,077
Income from equity investments	1	3	1	8
EBITDA	397	466	723	803

Revenues Revenues decreased by $390 million, or 18%, in the second quarter of 2016 compared to the second quarter of 2015 and by $606 million, or 15%, in the first six months of 2016 compared to the first six months of 2015.

Average sales prices in the second quarter and first six months of 2016, which were influenced by the decline in feedstock and energy-related costs, and for certain products by additional industry supplies, were lower compared to the prior year periods, and led to revenue decreases of 21% and 18%, respectively.

Increased sales volumes were responsible for revenue increases of 2% and 3%, respectively, in the second quarter and first six months of 2016. These increased volumes were driven by styrene and acetyls in the second quarter and first six months of 2016 and by TBA chain products in the first six months of 2016. Volumes in the first six months of 2015 were negatively impacted by planned outages at our Channelview, Texas methanol and PO/SM facilities.

Foreign exchange impacts were responsible for the remaining change in revenues during the second quarter of 2016.

EBITDA EBITDA decreased $69 million, or 15%, in the second quarter of 2016 compared to the second quarter of 2015 and by $80 million, or 10%, in the first six months of 2016 compared to the first six months of 2015.

Lower margins resulted in decreases in EBITDA of 30% and 23%, respectively, in the second quarter and first six months of 2016. These margins declines primarily reflected crude and gasoline-related product prices that declined more than related feedstock prices in the TBA Chain, and increased methanol supplies due to industry capacity additions.

Lower income from our equity investments in the second quarter and first six months of 2016 also resulted in decreases to EBITDA of 1% in each of the 2016 periods.

The beneficial impact of volumes discussed above partially offset the decreases in the second quarter and first six months of 2016 outlined above with increases to EBITDA of 6% in both periods.

EBITDA in the second quarter and first six months of 2016 also reflected increases of 10% and 8%, respectively, related to the LCM inventory valuation adjustments discussed above.

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Refining Segment

Overview Results of our Refining segment for the second quarter and first six months of 2016 compared to the corresponding periods in 2015 were significantly lower because of unplanned outages, including a coker unit fire in early April, planned turnaround activity on a crude unit and a coker unit processing train in the first quarter of 2016, and downtime at crude units with reduced processing rates in both periods.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2016**	**2015**	**2016**	**2015**
Sales and other operating revenues	$ 1,289	$ 2,102	$ 2,244	$ 3,709
EBITDA	(13)	159	1	308
Heavy crude oil processing rates, thousands of barrels per day	183	255	184	248
Market margins, dollars per barrel				
Light crude oil 2-1-1	$ 11.52	$ 16.42	$ 10.13	$ 15.74
Light crude oil Maya differential	9.55	7.56	9.37	8.22
Total Maya 2-1-1	$ 21.07	$ 23.98	$ 19.50	$ 23.96

Revenues Revenues decreased by $813 million, or 39%, in the second quarter of 2016 compared to the second quarter of 2015 and by $1,465 million, or 39%, in the first six months of 2016 compared to the first six months of 2015.

Revenues declined in the second quarter and first six months on significantly lower product prices due to drops in the price of crude oil and lower sales volumes due to production limitations in both 2016 periods mentioned below. The average per barrel price of crude oil declined in each of the second quarter and first six months of 2016 by about $18. These declines resulted in revenue decreases of 27% relative to both the second quarter and first six months of 2015.

Processing rates in the second quarter and first six months of 2016 were lower relative to the comparable periods in 2015 due to processing limits resulting from unplanned outages, including a fire at one of our coker units that impacted operating rates from early April through the balance of the second quarter, and turnaround activities in the first quarter of 2016. These lower processing rates led to revenue decreases of 12% in each of the second quarter and first six months of 2016.

EBITDA EBITDA decreased by $172 million, or 108%, in the second quarter of 2016 compared to the second quarter of 2015 and by $307 million, or 100%, in the first six months of 2016 compared to the first six months of 2015.

Declines in refining margins in the second quarter and first six months of 2016 led to decreases in EBITDA of 62% and 59%, respectively. The Maya 2-1-1 benchmark refining spread declined by approximately $3 and $4 per barrel in the second quarter and first six months, respectively, relative to the second quarter and first six months of 2015. These decreases were driven by per barrel declines of approximately \$5 and \$7 in diesel spreads in the second quarter and first six months of 2016, respectively, and by approximately \$5 and \$4 in gasoline spreads. Wider differentials between Maya crude and light crude oils partially offset these declines in product spreads. The operating issues that drove lower crude throughput in 2016 also negatively impacted margins due to a less favorably priced crude oil mix and higher variable costs per barrel.

Lower production in the second quarter and first six months of 2016 was also responsible for decreases in EBITDA of 43% and 41%, respectively, due to decreases of 28% and 26%, respectively, in average heavy crude oil processing rates relative to the corresponding periods of 2015. These reduced rates were due to the unplanned outages, crude unit operating limitations and planned turnaround activities discussed above.

A further 3% decrease in EBITDA for the second quarter of 2016 was related to the absence of the second quarter 2015 reversal of the $5 million LCM inventory valuation adjustment recorded in the first quarter of 2015.

Technology Segment

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2016**	**2015**	**2016**	**2015**
Sales and other operating revenues	$ 129	$ 107	$ 261	$ 243
EBITDA	73	57	156	133

Revenues Revenues increased by $22 million, or 21%, in the second quarter of 2016 compared to the second quarter of 2015 and by $18 million, or 7%, in the first six months of 2016 compared to the first six months of 2015.

Recognition of revenues on process licenses issued in prior periods was responsible for revenue increases of 8% and 6% in the second quarter and first six months of 2016 relative to the corresponding periods in 2015.

Revenue increases of 1% and 3% in the second quarter and first six months of 2016, respectively, were attributable to higher average catalyst sales prices during those periods. These increases were augmented in the second quarter of 2016 by an additional revenue increase of 10% stemming from an increase in catalyst sales volumes and partly offset in the first six months of 2016 by a 2% revenue decrease related to lower catalyst sales volumes.

Foreign currency translation impacts gave rise to a 2% revenue increase in the second quarter of 2016 due to a stronger euro versus the U.S. dollar relative to the second quarter 2015.

EBITDA EBITDA increased by $16 million, or 28%, in the second quarter of 2016 compared to the second quarter of 2015 and by $23 million, or 17%, in the first six months of 2016 compared to the first six months of 2015.

The impact of higher catalyst volumes increased EBITDA by 16% in the second quarter of 2016 and decreased EBITDA by 2% in the first six months of 2016. A combination of higher catalyst margins and higher licensing and services revenue contributed 12% and 19% to EBITDA during the second quarter and first six months of 2016.

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FINANCIAL CONDITION

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

Millions of dollars	Six Months Ended June 30, 2016	2015
Source (use) of cash:		
Operating activities	$ 2,561	$ 2,914
Investing activities	(1,068)	(1,170)
Financing activities	(1,372)	(1,422)

Operating Activities

2016 Cash of $2,561 million generated in the first six months of 2016 primarily reflected earnings adjusted for non-cash items and cash used by the main components of working capital accounts receivable, inventories and accounts payable. The non-cash items in 2016 included a $78 million gain related to the sale of our wholly owned Argentine subsidiary and adjustments for related working capital.

The main components of working capital consumed cash of $94 million during the first six months of 2016. Higher sales prices for products in our O&P EAI segment in the first six months of 2016 combined with the impact of higher sales volumes in the second quarter of 2016 relative to the fourth quarter of 2015 for our I&D and Refining segments led to the increase in accounts receivable. The increase in accounts payable reflects increased feedstock costs in our O&P Americas segment and increased purchases of crude oil by our Refining segment.

2015 Cash of $2,914 million generated in the first six months of 2015 primarily reflected earnings adjusted for non-cash items, offset in part by cash used by the main components of working capital.

The main components of working capital consumed cash of $106 million during the first six months of 2015. The timing of crude oil purchases in the latter part of the second quarter and the lower cost of crude oil led to the decrease in accounts payable. The decrease in inventories reflects lower levels of inventory in our I&D and O&P EAI segments. The decrease in our I&D segment inventories was the result of a drawdown of inventories in conjunction with turnaround activities at one of our PO/SM facilities in Channelview, Texas. Higher polypropylene and PP compounding sales volumes in the latter part of the second quarter contributed to the lower level of inventory in our O&P EAI segment.

Investing Activities We used cash of $1,068 million and $1,170 million in investing activities in the first six months of 2016 and 2015, respectively.

We invest cash in investment-grade and other high quality instruments that provide adequate flexibility to redeploy funds as needed to meet our cash flow requirements while maximizing yield. In the first six months of 2016 and 2015, we invested $607 million and $1,468 million, respectively, in securities that are deemed available-for-sale and classified as Short-term investments. We also invested $168 million and $397 million in tri-party repurchase agreements in the first six months of 2016 and 2015, respectively. These investments are classified as short-term loans receivable. We received proceeds upon the sale and maturity of certain of our available-for-sale securities and repurchase agreements of $657 million and $98 million, respectively, in the first six months of 2016 and $997 million and $250 million, respectively, in the corresponding period of 2015.

In December 2015, we entered into 750 million ($795 million) of forward exchange contracts, which were designated as net investment hedges of our investments in foreign subsidiaries. Payments to and proceeds from our counterparties upon settlement of these forward exchange contracts following their expiration in March 2016 resulted in a net cash outflow of $55 million.

We received net cash proceeds of $137 million for the sale of our wholly owned Argentine subsidiary in February 2016.

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

The following table summarizes capital expenditures for the periods presented:

Millions of dollars	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Capital expenditures by segment:		
O&P Americas	$ 642	$ 289
O&P EAI	141	65
I&D	156	152
Refining	128	61
Technology	15	9
Other	8	8
Consolidated capital expenditures of continuing operations	$ 1,090	$ 584

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

Financing Activities In the first six months of 2016 and 2015, our financing activities used cash of $1,372 million and $1,422 million, respectively.

In the first six months of 2016 and 2015, we made payments of $1,682 million and $2,137 million, respectively, to acquire approximately 21 million and 24 million, respectively, of our outstanding ordinary shares. We also made dividend payments totaling $698 million and $702 million during the first six months of 2016 and 2015, respectively. For additional information related to these share repurchases and dividend payments, see Note 12 to the Consolidated Financial Statements.

We received net proceeds of $200 million and $238 million in the first six months of 2016 and 2015, respectively, through the issuance and repurchase of commercial paper instruments under our commercial paper program.

In March 2016, we issued 750 million of 1.875% guaranteed notes due 2022 and received net proceeds of $812 million.

The net proceeds from these notes may be used for general corporate purposes, including repurchases of LyondellBasell s ordinary shares. Other general corporate purposes may include, among other things, funding for working capital, capital expenditures and acquisitions. We may temporarily invest funds that are not immediately needed for these purposes in short-term investments, including marketable securities.

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

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Liquidity and Capital Resources As of June 30, 2016, we had $2,083 million of unrestricted cash and cash equivalents and marketable securities classified as Short-term investments. We also held $462 million of tri-party repurchase agreements classified as Other current assets at June 30, 2016. For additional information related to our purchases of marketable securities, which currently include certificates of deposit, commercial paper, bonds and limited partnership investments, and our investments in tri-party repurchase agreements, see Investing Activities above and Note 7 to the Consolidated Financial Statements.

At June 30, 2016, we held $535 million of cash in jurisdictions outside of the U.S., principally in the United Kingdom. There are currently no material legal or economic restrictions that would impede our transfers of cash.

We also had total unused availability under our credit facilities of $2,701 million at June 30, 2016, which included the following:

- $1,966 million under our $2,500 million revolving credit facility, which backs our $2,500 million commercial paper program. Availability under this facility is net of outstanding borrowings, outstanding letters of credit provided under the facility and notes issued under our commercial paper program. A small portion of our availability under this facility is impacted by changes in the euro/U.S. dollar exchange rate. At June 30, 2016, we had $523 million of outstanding commercial paper, no outstanding letters of credit and no outstanding borrowings under the facility; and

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

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

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

At June 30, 2016, we had total debt, including current maturities, of $9,105 million. We also had $575 million of outstanding letters of credit and bank guarantees issued under uncommitted credit facilities at June 30, 2016.

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

In connection with the increase of our revolving credit facility, we increased the size of our commercial paper program to permit the issuance of unsecured short-term promissory (commercial paper) notes in an aggregate amount not to exceed $2,500 million. At June 30, 2016, we had $523 million of commercial paper outstanding.

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

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

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For additional information related to our credit facilities and Notes discussed above, see Note 5 to the Consolidated Financial Statements.

In July 2016, we announced plans to build a new high density polyethylene plant on the U.S. Gulf Coast. The plant, which will have an annual capacity of 1.1 billion pounds, is expected to start up in 2019.

In May 2016, our shareholders approved a proposal to authorize us to repurchase up to an additional 10%, or approximately 42.5 million of our shares outstanding over the following eighteen months. Our share repurchase program does not have a stated dollar amount, and purchases may be made through open market purchases, private market transactions or other structured transactions. Repurchased shares could be retired or used for general corporate purposes, including for various employee benefit and compensation plans. As of June 30, 2016, we have purchased approximately 6 million shares under this program for approximately $463 million. As of July 26, 2016, we had approximately 33 million shares remaining under the current authorization. The timing and amount of additional shares repurchased will be determined by our Management Board based on its evaluation of market conditions and other factors. For additional information related to our share repurchase programs, see Note 12 to the Consolidated Financial Statements.

In February 2016, we received net proceeds of $137 million from the sale of our wholly owned Argentine subsidiary.

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

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

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

CURRENT BUSINESS OUTLOOK

Chemical and polyolefin markets continue to be generally well balanced in the third quarter, with trends similar to the second quarter of 2016. However, margins for refining and TBA Chain products have declined as gasoline supplies and inventories have increased.

We have completed the repairs of damage incurred in the April 2016 fire at our Houston refinery and expect to complete the 800 million pound ethylene expansion and related turnaround of our Corpus Christi, Texas facility by the end of the third quarter.

During the second half of 2016, our plant maintenance schedule is significant with additional turnarounds at facilities in our O&P Americas, O&P EAI and I&D segments. We expect to mitigate some of the negative impact of this heavy, planned maintenance period through inventory and scheduling efforts. Collectively, we expect our third quarter operations to be negatively impacted by an estimated $150 million, with impacts of $135 million and $15 million to the results of our O&P Americas and I&D segments, respectively.

We expect our investment in these facilities to deliver continuing benefits through long-term reliability.

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CRITICAL ACCOUNTING POLICIES

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

Several of our LIFO inventory pools are currently at-risk for further adjustment as each impacted LIFO pool is at, or close to, the calculated market value at the last balance sheet measurement date. As of June 30, 2016, at-risk inventory accounted for $2.5 billion of the total carrying value of our $4.0 billion of inventory. The extent to which further adjustment may occur is dependent on the pool specific product prices and composition within each individual dollar value LIFO pool at the balance sheet date. Sustained price declines in our finished goods and raw materials could result in future LCM inventory valuation charges during the remainder of 2016.

ACCOUNTING AND REPORTING CHANGES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market and regulatory risks is described in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2015. Our exposure to such risks has not changed materially in the six months ended June 30, 2016.

Item 4. CONTROLS AND PROCEDURES

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

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

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PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

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

In February 2016, the TCEQ issued a Notice of Enforcement to Equistar Chemicals, LP following a TCEQ compliance investigation file review. In April 2016, TCEQ issued a proposed Agreed Order, which assesses an administrative penalty of $105,000 and proposes a one-time offer to defer $21,000 of the penalty if Equistar satisfactorily complies with the terms of the order. The Agreed Order was signed in May 2016 and we are awaiting approval of the Order by TCEQ.

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

Item 1A. RISK FACTORS

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

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

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (1)
April 1 April 30	2,158,933	$ 87.56	2,158,933	43,368,366
May 1 May 31	2,598,876	$ 81.92	2,598,876	40,769,490
June 1 June 30	4,088,201	$ 78.13	4,088,201	36,681,289
Total	8,846,010	$ 81.54	8,846,010	36,681,289

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

an indication of the number of shares that will ultimately be purchased.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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Item 6. EXHIBITS

10.1	Consent Agreement, dated June 3, 2016, among LyondellBasell Industries N.V. and LYB Americas Finance Company, as Borrowers, Bank of America, N.A., as Administrative Agent and the lender parties thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on June 6, 2016)
10.2	Amendment No. 1 to the Amended and Restated Credit Agreement, dated June 3, 2016, among LyondellBasell Industries N.V. and LYB Americas Finance Company, as Borrowers, the Lenders, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, Citibank, N.A. and Deutsche Bank Securities Inc., as Syndication Agents and the other parties thereto (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on June 6, 2016)
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: July 29, 2016

/s/ Thomas Aebischer
Thomas Aebischer
Executive Vice President and

Chief Financial Officer
(Principal Financial Officer)