

LyondellBasell Industries N.V.  
Form 10-Q  
November 01, 2016  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Form 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2016**

**or**

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

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

**Commission file number: 001-34726**

**LYONDELLBASELL INDUSTRIES N.V.**

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

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

(713) 309-7200

+44 (0) 207 220 2600

+31 (0)10 275 5500

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

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

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

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**LYONDELLBASELL INDUSTRIES N.V.**

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

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

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Discontinued operations	(0.01)	(0.01)	(0.01)	(0.01)
	\$ 2.30	\$ 2.56	\$ 7.25	\$ 7.80
<b>Diluted:</b>				
Continuing operations	\$ 2.31	\$ 2.55	\$ 7.24	\$ 7.78
Discontinued operations	(0.01)	(0.01)	(0.01)	(0.01)
	\$ 2.30	\$ 2.54	\$ 7.23	\$ 7.77

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.



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

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

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.



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

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

See Notes to the Consolidated Financial Statements.

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**LYONDELLBASELL INDUSTRIES N.V.**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY**

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

See Notes to the Consolidated Financial Statements.

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**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 September 30, 2016**

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

**3. Discontinued Operations**

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

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

**4. Accounts Receivable**

Our allowance for doubtful accounts receivable, which is reflected in the Consolidated Balance Sheets as a reduction of accounts receivable, totaled \$17 million and \$24 million at September 30, 2016 and December 31, 2015, respectively.

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Inventories consisted of the following components:

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

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

**6. Debt**

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

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

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

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

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

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

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

*Long-Term Debt*

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

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

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

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

*Short-Term Debt*

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

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



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**LYONDELLBASELL INDUSTRIES N.V.**

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

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

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

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

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

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

*Debt Discount and Issuance Costs*

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

**7. Financial Instruments**

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

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

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**LYONDELLBASELL INDUSTRIES N.V.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**LYONDELLBASELL INDUSTRIES N.V.**

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

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

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

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

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

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

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

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

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

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





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The following table summarizes our cross-currency swaps outstanding:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Proceeds from maturities of securities	\$ 8	\$ 622	\$ 665	\$ 1,437
Proceeds from sales of securities		19		201

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

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

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

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

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

Millions of dollars	December 31, 2015			
	Less than 12 months Fair Value	Unrealized Loss	Greater than 12 months Fair Value	Unrealized Loss

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

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

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

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





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

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

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

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

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## LYONDELLBASELL INDUSTRIES N.V.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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## LYONDELLBASELL INDUSTRIES N.V.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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## LYONDELLBASELL INDUSTRIES N.V.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

Millions of dollars	Fair Value	December 31, 2015		
		Level 1	Level 2	Level 3
<b>Assets</b>				
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	\$
<b>Liabilities</b>				
Derivatives:				
Forward exchange contracts	\$ 24	\$	\$ 24	\$
Forward-starting interest rate swaps	6		6	
Commodities	2		2	
Foreign currency	3		3	
Non-derivatives:				
Performance share awards	40	40		
	\$ 75	\$ 40	\$ 35	\$

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

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



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

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

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

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

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

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

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

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

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**LYONDELLBASELL INDUSTRIES N.V.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**10. Income Taxes**

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

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

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

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

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

**11. Commitments and Contingencies**

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

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

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

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

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

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



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**LYONDELLBASELL INDUSTRIES N.V.**

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

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

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

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

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

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

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

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

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

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## LYONDELLBASELL INDUSTRIES N.V.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**12. Stockholders Equity**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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





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

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

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**LYONDELLBASELL INDUSTRIES N.V.**

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

**14. Segment and Related Information**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**GENERAL**

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

**OVERVIEW**

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

**RESULTS OF OPERATIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Income from equity investments:**

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

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