

LyondellBasell Industries N.V.  
Form 10-Q  
October 26, 2012  
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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, 2012

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: **001-34726**

**LYONDELLBASELL INDUSTRIES N.V.**

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

**The Netherlands**  
*(State or other jurisdiction of incorporation or organization)*  
**Stationsplein 45**

**98-0646235**  
*(I.R.S. Employer Identification No.)*

**3013 AK Rotterdam**

**The Netherlands**

*(Address of principal executive offices)*

**31 10 275 5500**

*(Registrant's telephone number, including area code)*

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

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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 575,180,918 ordinary shares, 0.04 par value, outstanding at October 24, 2012 (excluding 3,153,013 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, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b>Sales and other operating revenues:</b>				
Trade	\$ 11,009	\$ 12,242	\$ 33,461	\$ 36,327
Related parties	264	274	794	875
	11,273	12,516	34,255	37,202
<b>Operating costs and expenses:</b>				
Cost of sales	9,670	10,734	29,763	32,475
Selling, general and administrative expenses	236	236	660	687
Research and development expenses	39	53	115	142
	9,945	11,023	30,538	33,304
Operating income	1,328	1,493	3,717	3,898
Interest expense	(71)	(156)	(581)	(495)
Interest income	4	10	10	30
Other income (expense), net	(7)	19	--	16
Income from continuing operations before equity investments, reorganization items and income taxes	1,254	1,366	3,146	3,449
Income from equity investments	32	52	105	183
Reorganization items	--	--	4	(30)
Income from continuing operations before income taxes	1,286	1,418	3,255	3,602
Provision for income taxes	435	506	1,042	1,157
Income from continuing operations	851	912	2,213	2,445
Loss from discontinued operations, net of tax	(7)	(17)	(2)	(87)
<b>Net income</b>	<b>844</b>	<b>895</b>	<b>2,211</b>	<b>2,358</b>
Net loss attributable to non-controlling interests	2	--	5	4
Net income attributable to the Company shareholders	\$ 846	\$ 895	\$ 2,216	\$ 2,362
<b>Earnings (loss) per share:</b>				
<b>Net income (loss) attributable to the Company shareholders</b>				
Basic:				
Continuing operations	\$ 1.48	\$ 1.59	\$ 3.85	\$ 4.29
Discontinued operations	(0.01)	(0.03)	--	(0.15)
	\$ 1.47	\$ 1.56	\$ 3.85	\$ 4.14
Diluted:				
Continuing operations	\$ 1.47	\$ 1.54	\$ 3.83	\$ 4.27

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Discontinued operations	(0.01)	(0.03)	--	(0.15)
	\$ 1.46	\$ 1.51	\$ 3.83	\$ 4.12

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>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net income	\$ 844	\$ 895	\$ 2,211	\$ 2,358
Other comprehensive income, net of tax				
Defined benefit pension plan:				
Prior service cost arising during the period	(2)	(1)	--	2
Amortization of prior service cost included in net income	8	--	20	--
Income taxes on defined benefit plans	(2)	--	(6)	--
Defined benefit pension plan, net	4	(1)	14	2
Foreign currency translations adjustment:				
Unrealized net change arising during the period	184	(506)	11	(4)
Income taxes on foreign currency translation adjustments	--	--	1	--
Foreign currency translations, net of tax	184	(506)	12	(4)
Total other comprehensive income (loss)	188	(507)	26	(2)
Comprehensive income	1,032	388	2,237	2,356
Comprehensive loss attributable to non-controlling interest	2	--	5	4
Comprehensive income attributable to the Company shareholders	\$ 1,034	\$ 388	\$ 2,242	\$ 2,360

See Notes to the Consolidated Financial Statements.

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

<b>Millions, except shares and par value data</b>	<b>September 30, 2012</b>	<b>December 31, 2011</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,527	\$ 1,065
Restricted cash	19	53
Accounts receivable:		
Trade, net	3,814	3,582
Related parties	269	196
Inventories	5,234	5,499
Prepaid expenses and other current assets	532	1,040
<b>Total current assets</b>	<b>13,395</b>	<b>11,435</b>
Property, plant and equipment, net	7,412	7,333
Investments and long-term receivables:		
Investment in PO joint ventures	405	412
Equity investments	1,581	1,559
Other investments and long-term receivables	361	72
Goodwill	585	585
Intangible assets, net	1,073	1,177
Other assets	292	266
<b>Total assets</b>	<b>\$ 25,104</b>	<b>\$ 22,839</b>

See Notes to the Consolidated Financial Statements.

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

<b>Millions, except shares and par value data</b>	<b>September 30, 2012</b>	<b>December 31, 2011</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ - -	\$ 4
Short-term debt	47	48
Accounts payable:		
Trade	2,496	2,562
Related parties	801	852
Accrued liabilities	1,177	1,242
Deferred income taxes	304	310
Total current liabilities	4,825	5,018
Long-term debt	4,305	3,980
Other liabilities	2,153	2,277
Deferred income taxes	1,460	917
Commitments and contingencies		
Stockholders' equity:		
Ordinary shares, 0.04 par value, 1,275 million shares authorized, 575,180,918 and 573,390,514 shares outstanding, respectively		
	31	31
Additional paid-in capital	10,328	10,272
Retained earnings	2,454	841
Accumulated other comprehensive loss	(401)	(427)
Treasury stock, at cost, 3,153,014 and 4,051,013 ordinary shares, respectively	(100)	(124)
Total Company share of stockholders' equity	12,312	10,593
Non-controlling interests	49	54
Total equity	12,361	10,647
Total liabilities and equity	\$ 25,104	\$ 22,839

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,	
	2012	2011
<b>Cash flows from operating activities:</b>		
Net income	\$ 2,211	\$ 2,358
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	717	676
Asset impairments	22	44
Amortization of debt-related costs	52	28
Equity investments -		
Equity income	(105)	(183)
Distribution of earnings, net of tax	97	162
Deferred income taxes	574	667
Gain on sale of assets	(12)	(45)
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(314)	(282)
Inventories	254	(864)
Accounts payable	(100)	552
Contributions to pension plans	(133)	(222)
Income tax refunds	291	--
Prepaid expenses and other current assets	(136)	(139)
Other, net	59	26
Net cash provided by operating activities	3,477	2,778
<b>Cash flows from investing activities:</b>		
Expenditures for property, plant and equipment	(727)	(761)
Proceeds from disposal of assets	12	71
Restricted cash	34	(281)
Other	(15)	--
Net cash used in investing activities	(696)	(971)
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of warrants	1	37
Dividends paid	(603)	(171)
Issuance of long-term debt	3,000	--
Repayments of long-term debt	(2,679)	(260)
Payments of debt issuance costs	(53)	(15)
Other, net	(3)	(8)
Net cash used in financing activities	(337)	(417)
Effect of exchange rate changes on cash	18	(3)
<b>Increase in cash and cash equivalents</b>	<b>2,462</b>	<b>1,387</b>
Cash and cash equivalents at beginning of period	1,065	4,222
Cash and cash equivalents at end of period	\$ 3,527	\$ 5,609

See Notes to the Consolidated Financial Statements.

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

<u>Millions of dollars</u>	Ordinary Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders Equity	Non- Controlling Interests
	Issued	Treasury					
Balance, January 1, 2012	\$ 31	\$ (124)	\$ 10,272	\$ 841	\$ (427)	\$ 10,593	\$ 54
Net income (loss)	--	--	--	2,216	--	2,216	(5)
Other comprehensive income	--	--	--	--	26	26	--
Warrants exercised	--	--	38	--	--	38	--
Shares purchased	--	(12)	--	--	--	(12)	--
Share-based compensation	--	36	18	--	--	54	--
Cash dividends (\$1.05 per share)	--	--	--	(603)	--	(603)	--
Balance, September 30, 2012	\$ 31	\$ (100)	\$ 10,328	\$ 2,454	\$ (401)	\$ 12,312	\$ 49

See Notes to the Consolidated Financial Statements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**LYONDELLBASELL INDUSTRIES N.V.**

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

**1. Basis of Presentation**

LyondellBasell Industries N.V., together with its consolidated subsidiaries (collectively LyondellBasell N.V. ), is a worldwide manufacturer of chemicals and polymers, a refiner of crude oil, a significant producer of gasoline blending components and a developer and licensor of technologies for production of polymers and other chemicals. When we use the terms Company, we, us, our or similar words, unless the context otherwise requires, we are referring 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 LyondellBasell N.V. consolidated financial statements and notes thereto included in the LyondellBasell Industries N.V. Annual Report on Form 10-K for the year ended December 31, 2011.

**2. Accounting and Reporting Changes**

**Recently Adopted Guidance**

*Comprehensive Income* In June 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2011-05, related to ASC Topic 220, *Comprehensive Income: Presentation of Comprehensive Income* and in December 2011 the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05*. These standards eliminate the current option to report other comprehensive income and its components in the statement of changes in equity. We elected to present Statements of Comprehensive Income in two separate but consecutive statements beginning January 1, 2012, and the amendments have been applied retrospectively for all prior periods presented.

*Fair Value Measurement* In May 2011, the FASB issued new guidance related to ASC Topic 820, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and International Financial Reporting Standards ( IFRS ) and changes some fair value measurement principles and disclosure requirements. This guidance aligns the fair value measurement of instruments classified within an entity's shareholders' equity with the guidance for liabilities. As a result, entities are required to measure the fair value of their own equity instruments from the perspective of a market participant that holds the equity instruments as assets. This guidance also enhances disclosure requirements for recurring Level 3 fair value measurements to include quantitative information about unobservable inputs used, a description of the valuation processes used by the entity and a qualitative discussion about the sensitivity of the measurements. New disclosures on the use of a nonfinancial asset measured or disclosed at fair value are required if its use differs from its highest and best use. In addition, entities must report the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed. The ASU was effective for interim and annual periods beginning on or after December 15, 2011. The adoption of this amendment in 2012 did not have a material effect on the presentation of our consolidated financial statements.

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**LYONDELLBASELL INDUSTRIES N.V.**

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

**Accounting Guidance Issued But Not Adopted as of September 30, 2012**

*Disclosures about Offsetting Assets and Liabilities* In December 2011, the FASB issued ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. The standard requires disclosures to provide information to help reconcile differences in the offsetting requirements under U.S. GAAP and IFRS. The differences in the offsetting requirements account for a difference in the amounts presented in statements of financial position (balance sheets) prepared in accordance with U.S. GAAP and IFRS. The new disclosure requirements mandate that entities disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments similar to a master netting arrangement. In addition, the standard requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements. The ASU is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this amendment is not expected to have a material impact on the presentation of our Consolidated Financial Statements.

**3. Discontinued Operations**

In September 2011, we announced our intention to initiate consultations with relevant employee Works Councils regarding a contemplated closure of our Berre refinery after receiving no offers to purchase the refinery. In connection with the intended closure, we recorded pre-tax charges totaling \$136 million in the fourth quarter of 2011, primarily related to the estimated cost of the social plan for the affected employees. In 2012, we reduced the estimated cost of the social plan by \$23 million.

On January 4, 2012, operations at the Berre refinery were suspended.

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In the second quarter of 2012, the operations of the Berre refinery were deemed to have met the criteria for discontinued operations classification. As a result, the operations have been classified as discontinued operations, net of income taxes, in the Consolidated Statements of Income for all periods presented. The amounts included in Loss from discontinued operations are summarized as follows:

Millions of dollars	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Sales and other operating revenues	\$ 56	\$ 781	\$ 243	\$ 2,389
Loss from discontinued operations before income taxes	\$ (8)	\$ (34)	\$ (17)	\$ (104)
Benefit from income taxes	(1)	(17)	(15)	