

LyondellBasell Industries N.V.
Form 10-Q
April 27, 2018
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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 March 31, 2018

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	98-0646235 (I.R.S. Employer
incorporation or organization)	Identification No.)
1221 McKinney St., Suite 300	Delftseplein 27E
Houston, Texas	3013 AA Rotterdam
USA 77010	The Netherlands
London	
W1J0AH	
The United Kingdom	
(Addresses of registrant's principal executive offices)	

(713) 309-7200

+44 (0) 207 220 2600

+31 (0)10 275 5500

(Registrant's telephone numbers, including area codes)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 392,069,274 ordinary shares, 0.04 par value, outstanding at April 24, 2018 (excluding 186,370,889 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 March 31,	
	2018	2017
Sales and other operating revenues:		
Trade	\$ 9,530	\$ 8,243
Related parties	237	187
	9,767	8,430
Operating costs and expenses:		
Cost of sales	8,012	6,991
Selling, general and administrative expenses	233	204
Research and development expenses	28	25
	8,273	7,220
Operating income	1,494	1,210
Interest expense	(91)	(207)
Interest income	11	6
Other income, net	24	30
Income from continuing operations before equity investments and income taxes	1,438	1,039
Income from equity investments	96	81
Income from continuing operations before income taxes	1,534	1,120
Provision for income taxes	303	315
Income from continuing operations	1,231	805
Loss from discontinued operations, net of tax		(8)
Net income	1,231	797
Net (income) loss attributable to non-controlling interests		
Net income attributable to the Company shareholders	\$ 1,231	\$ 797
Earnings per share:		
Net income (loss) attributable to the Company shareholders		
Basic:		
Continuing operations	\$ 3.12	\$ 2.00
Discontinued operations		(0.02)

	\$ 3.12	\$ 1.98
Diluted:		
Continuing operations	\$ 3.11	\$ 2.00
Discontinued operations		(0.02)
	\$ 3.11	\$ 1.98

See Notes to the Consolidated Financial Statements.

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Millions of dollars	Three Months Ended	
	March 31,	
	2018	2017
Net income	\$ 1,231	\$ 797
Other comprehensive income (loss), net of tax		
Financial derivatives	7	22
Unrealized losses on available-for-sale debt securities		(1)
Unrealized gains on equity securities and equity securities held by equity investees		9
Defined pension and other postretirement benefit plans	7	7
Foreign currency translations	40	36
Total other comprehensive income, net of tax	54	73
Comprehensive income	1,285	870
Comprehensive (income) loss attributable to non-controlling interests		
Comprehensive income attributable to the Company shareholders	\$ 1,285	\$ 870

See Notes to the Consolidated Financial Statements.

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

Millions of dollars	March 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,840	\$ 1,523
Restricted cash		5
Short-term investments	1,042	1,307
Accounts receivable:		
Trade, net	3,642	3,359
Related parties	217	180
Inventories	4,257	4,217
Prepaid expenses and other current assets	1,070	1,147
Total current assets	12,068	11,738
Property, plant and equipment at cost	17,057	16,570
Less: Accumulated depreciation	(5,808)	(5,573)
Property, plant and equipment, net	11,249	10,997
Investments and long-term receivables:		
Investment in PO joint ventures	424	420
Equity investments	1,767	1,635
Other investments and long-term receivables	22	17
Goodwill	578	570
Intangible assets, net	567	568
Other assets	221	261
Total assets	\$ 26,896	\$ 26,206

See Notes to the Consolidated Financial Statements.

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

Millions of dollars, except shares and par value data	March 31, 2018	December 31, 2017
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 5	\$ 2
Short-term debt	77	68
Accounts payable:		
Trade	2,379	2,258
Related parties	631	637
Accrued liabilities	1,506	1,812
Total current liabilities	4,598	4,777
Long-term debt	8,531	8,549
Other liabilities	2,350	2,275
Deferred income taxes	1,688	1,655
Commitments and contingencies		
Stockholders' equity:		
Ordinary shares, 0.04 par value, 1,275 million shares authorized, 393,482,424 and 394,512,054 shares outstanding, respectively	31	31
Additional paid-in capital	10,186	10,206
Retained earnings	16,677	15,746
Accumulated other comprehensive loss	(1,301)	(1,285)
Treasury stock, at cost, 184,957,739 and 183,928,109 ordinary shares, respectively	(15,865)	(15,749)
Total Company share of stockholders' equity	9,728	8,949
Non-controlling interests	1	1
Total equity	9,729	8,950
Total liabilities and equity	\$ 26,896	\$ 26,206

See Notes to the Consolidated Financial Statements.

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LYONDELLBASELL INDUSTRIES N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of dollars	Three Months Ended	
	March 31,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 1,231	\$ 797
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	299	296
Amortization of debt-related costs	4	4
Charges related to repayment of debt		48
Share-based compensation	9	13
Equity investments		
Equity income	(96)	(81)
Distributions of earnings, net of tax		19
Deferred income taxes	61	47
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(196)	(432)
Inventories	(55)	(44)
Accounts payable	72	53
Other, net	(323)	(42)
Net cash provided by operating activities	1,006	678
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(429)	(421)
Payments for repurchase agreements		(324)
Proceeds from repurchase agreements		202
Purchases of available-for-sale debt securities	(50)	(408)
Proceeds from sales and maturities of available-for-sale debt securities	335	338
Proceeds from maturities of held-to-maturity securities		44
Other, net	(45)	28
Net cash used in investing activities	(189)	(541)

See Notes to the Consolidated Financial Statements.

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

Millions of dollars	Three Months Ended March 31,	
	2018	2017
Cash flows from financing activities:		
Repurchases of Company ordinary shares	(119)	(160)
Dividends paid	(395)	(343)
Issuance of long-term debt		990
Repayment of long-term debt		(1,000)
Debt extinguishment costs		(65)
Net proceeds from commercial paper		50
Payments of debt issuance costs		(7)
Other, net	(6)	(2)
Net cash used in financing activities	(520)	(537)
Effect of exchange rate changes on cash	15	8
Increase (decrease) in cash and cash equivalents and restricted cash	312	(392)
Cash and cash equivalents and restricted cash at beginning of period	1,528	878
Cash and cash equivalents and restricted cash at end of period	\$ 1,840	\$ 486

See Notes to the Consolidated Financial Statements.

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

Millions of dollars	Ordinary Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Company Share of Stockholder Equity	Non- Controlling Interests
	Issued	Treasury					
Balance, December 31, 2017	\$ 31	\$ (15,749)	\$ 10,206	\$ 15,746	\$ (1,285)	\$ 8,949	\$ 1
Adoption of accounting standards				95	(70)	25	
Net income				1,231		1,231	
Other comprehensive income					54	54	
Share-based compensation		22	8			30	
Dividends (\$1.00 per share)				(395)		(395)	
Repurchases of Company ordinary shares		(138)				(138)	
Purchase of non-controlling interest			(28)			(28)	
Balance, March 31, 2018	\$ 31	\$ (15,865)	\$ 10,186	\$ 16,677	\$ (1,301)	\$ 9,728	\$ 1

See Notes to the Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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

Revenue Recognition In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the current revenue recognition requirements in 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. This guidance including subsequently issued amendments: ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12, and ASU 2016-20, was effective for annual and interim periods beginning after December 15, 2017. We adopted this guidance in the first quarter of 2018. For disclosures related to the adoption of this guidance, see Note 3.

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. This guidance was effective for annual and interim periods beginning on or after December 15, 2017. We adopted this guidance prospectively in the first quarter of 2018 and recorded a cumulative-effect adjustment of \$15 million to beginning retained earnings.

Recognition and Measurement of Financial Assets and Financial Liabilities In February 2018, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10)*. This ASU was issued as part of the FASB's ongoing agenda to make improvements clarifying the Accounting Standards Codification and provides technical corrections and improvements related to ASU 2016-01. This ASU was effective for annual and interim periods beginning after December 15, 2017. We adopted this guidance in the first quarter of

2018 and it did not have a material impact on our Consolidated Financial Statements.

Income Taxes In October 2016, the FASB issued ASU 2016-16, *Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory*. The ASU is aimed at reducing complexity in accounting standards. Under current GAAP, the tax effects of intra-entity asset transfers (intercompany sales) are deferred until the transferred asset is sold to a third party or otherwise recovered through use. The new guidance eliminates the exception for all

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

intra-entity sales of assets other than inventory. A reporting entity would be required to recognize tax expense from the sale of assets in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. This guidance was effective for annual periods beginning after December 15, 2017. We adopted this guidance in the first quarter of 2018 following the modified retrospective method and recorded a cumulative-effect adjustment of \$9 million to beginning retained earnings.

Accumulated Other Comprehensive Income In February 2018, the FASB issued ASU 2018-02, *Income Statement Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The guidance permits entities to reclassify tax effects stranded in accumulated other comprehensive income as a result of the U.S.-enacted H.R.1, also known as the Tax Cuts and Jobs Act (the Tax Act) to retained earnings. The amendment will be effective for annual and interim periods beginning after December 15, 2018. We early adopted this guidance in the first quarter of 2018 using the specific identification method and recorded a cumulative-effect adjustment of \$52 million to beginning retained earnings.

Business Combinations In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business*. This ASU clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether a transaction should be accounted for as an acquisition or disposal of an asset or a business. This amendment was effective for annual and interim periods beginning after December 15, 2017. The prospective adoption of this guidance in the first quarter of 2018 did not have a material impact on our Consolidated Financial Statements.

Other Income Gains and Losses from the Derecognition of Nonfinancial Assets In February 2017, the FASB issued ASU 2017-05, *Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*. The guidance provides clarification about the term *in substance nonfinancial asset*, other aspects of the scope of Subtopic 610-20 *Other Income*, and how an entity should account for partial sales of nonfinancial assets once the amendments in ASU 2014-09 become effective. This amendment was effective for annual and interim periods beginning after December 15, 2017. The retrospective adoption of this guidance in the first quarter of 2018 did not have a material impact on our Consolidated Financial Statements.

Compensation Retirement Benefits In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The guidance requires changes in presentation of current service cost and other components of net benefit cost. This amendment was effective for annual and interim periods beginning after December 15, 2017. The retrospective adoption of this guidance in the first quarter of 2018 did not have a material impact on our Consolidated Financial Statements.

Derivatives and Hedging In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*. The new guidance makes more financial and nonfinancial hedging strategies eligible for hedge accounting and amends the presentation and disclosure requirements while changing how companies assess effectiveness. These amendments will be effective for annual and interim periods beginning after December 15, 2018. The early adoption of this guidance in the first quarter of 2018 did not have a material impact on our Consolidated Financial Statements.

Accounting Guidance Issued But Not Adopted as of March 31, 2018

Leases In February 2016, the FASB issued ASU 2016-02, *Leases (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 a 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

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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 via review of existing lease contracts and other purchase obligations that contain embedded lease features, which are generally classified as operating leases under the existing guidance. We will complete any required changes to our systems and processes, including updating our internal controls during 2018. In 2018, the FASB also issued ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*. Under this guidance, an optional transition practical expedient is available whereby existing or expired land easements that were not previously accounted for as leases under Topic 840 are not required to be evaluated under Topic 842. We will evaluate the application of this ASU together with the overall assessment of Topic 842.

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 amendment in this guidance on our Consolidated Financial Statements.

Receivables Nonrefundable Fees and Other Costs In March 2017, the FASB issued ASU 2017-08, *Premium Amortization of Purchased Callable Debt Securities*. This new guidance requires the premium on callable debt securities to be amortized to the earliest call date. Under current requirements, premiums on callable debt securities are generally amortized over the contractual life of the security. The amendment will be effective for public entities for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. We are currently assessing the impact of this guidance on our Consolidated Financial Statements.

3. Revenues

Adoption of new revenue accounting guidance On January 1, 2018, we adopted the accounting standard ASC 606, *Revenue from Contracts with Customers* and all related amendments using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. We recognized an \$18 million adjustment to the beginning retained earnings balance for the cumulative effect of initially applying the new standard. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The impact of the adoption of this new guidance was immaterial for the three months ended March 31, 2018, and we expect the impact to be immaterial to our Consolidated Financial Statements on an ongoing basis.

Revenue Recognition Substantially all our revenues are derived from contracts with customers. We account for contracts when both parties have approved the contract and are committed to perform, the rights of the parties and payment terms have been identified, the contract has commercial substance, and collectability is probable. Payments are typically required within a short period following the transfer of control over the product to the customer. We occasionally require customers to prepay purchases to ensure collectability. Such prepayments do not represent financing arrangements, and payment and fulfillment of the performance obligation occurs within a short time frame. We elected to apply the practical expedient, which permits us not to adjust the promised amount of consideration for the effects of a significant financing component when, at contract inception, we expect that payment will occur in one year or less.

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Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. This generally occurs at the point in time when performance obligations are fulfilled and control transfers to the customer. In most instances, control transfers upon transfer of risk of loss and title to the customer, which usually occurs when we ship products to the customer from our manufacturing facility. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods. Customer incentives are generally based on volumes purchased and recognized over the period earned. Sales, value added, and other taxes that we collect concurrent with revenue-producing activities are excluded from the transaction price as they represent amounts collected on behalf of third parties. Incidental costs incurred to obtain a contract are immaterial in the context of the contract and are recognized as expense. We have elected the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that we otherwise would have recognized is one year or less. Shipping and handling costs are treated as a fulfillment cost and not a separate performance obligation.

Contract Balances Contract balances typically arise when a difference in timing between the transfer of control to the customer and receipt of consideration occurs. Our contract liabilities, which are reflected in our Consolidated Financial Statements as Accrued liabilities and Other liabilities, consist primarily of customer payments for products or services received before the transfer of control to the customer occurs. These contract liabilities were \$144 million as of March 31, 2018. Revenue recognized in the reporting period included in the contract liability balance at the beginning of the period is immaterial.

Disaggregation of Revenues We participate globally across the petrochemical value chain and are an industry leader in many of our product lines. Our chemicals businesses consist primarily of large processing plants that convert large volumes of liquid and gaseous hydrocarbon feedstocks into plastic resins and other chemicals. Our chemical products tend to be basic building blocks for other chemicals and plastics, while our plastic products are typically used in large volume applications. Our refining business consists of our Houston refinery, which processes crude oil into refined products such as gasoline, diesel and jet fuel.

Petrochemical products generally follow global price trends of crude oil, natural gas liquids and/or natural gas. Price volatility significantly affects our revenues, as our sales contracts are tied to global commodity indexes. Other factors such as global industry capacities and operating rates, foreign exchange rates and worldwide geopolitical trends also affect our revenues.

The following table presents our revenues disaggregated by key products for the three months ended March 31, 2018:

Millions of dollars**Sales and other operating revenues:**

Olefins & co-products	\$	1,020
Polyethylene		1,978
Polypropylene		2,331
PO & derivatives		649

Oxyfuels and related products	795
Intermediate chemicals	848
Refined products	2,002
Other	144
Total	\$ 9,767

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The following table presents our revenues disaggregated by geography, based upon the location of the customer, for the three months ended March 31, 2018:

Millions of dollars**Sales and other operating revenues:**

United States	\$	4,653
Germany		821
Italy		394
France		350
Mexico		478
The Netherlands		276
Other		2,795
Total	\$	9,767

Transaction Price Allocated to the Remaining Performance Obligations We have elected to exclude contracts which have an initial term of one year or less from this disclosure. Our contracts with customers are commodity supply arrangements that settle based on market prices at future delivery dates; therefore, transaction prices are entirely variable. Transaction prices are known at the time revenue is recognized since they are generally determined by the commodity price index at a specific date, at month-end or at the month average once products are shipped to our customers. Future estimates of transaction prices for disclosure purposes are substantially constrained as they are highly susceptible to factors outside our influence, including volatility in commodity markets, industry production capacities and operating rates, planned and unplanned industry operating interruptions, foreign exchange rates and worldwide geopolitical trends.

4. Accounts Receivable

Our allowance for doubtful accounts receivable, which is reflected in the Consolidated Balance Sheets as a reduction of accounts receivable, was \$17 million at March 31, 2018 and December 31, 2017.

5. Inventories

Inventories consisted of the following components:

Millions of dollars	March 31, 2018	December 31, 2017
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Finished goods	\$	2,849	\$	2,932
Work-in-process		190		142
Raw materials and supplies		1,218		1,143
Total inventories	\$	4,257	\$	4,217

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Long-term loans, notes and other long-term debt, net of unamortized discount and debt issuance cost, consisted of the following:

Millions of dollars	March 31, 2018	December 31, 2017
Senior Notes due 2019, \$1,000 million, 5.0% (\$2 million of debt issuance cost)	\$ 963	\$ 961
Senior Notes due 2021, \$1,000 million, 6.0% (\$7 million of debt issuance cost)	967	981
Senior Notes due 2024, \$1,000 million, 5.75% (\$8 million of debt issuance cost)	992	992
Senior Notes due 2055, \$1,000 million, 4.625% (\$16 million of discount; \$11 million of debt issuance cost)	973	973
Guaranteed Notes due 2044, \$1,000 million, 4.875% (\$11 million of discount; \$9 million of debt issuance cost)	980	979
Guaranteed Notes due 2043, \$750 million, 5.25% (\$21 million of discount; \$7 million of debt issuance cost)	722	722
Guaranteed Notes due 2023, \$750 million, 4.0% (\$6 million of discount; \$3 million of debt issuance cost)	741	740
Guaranteed Notes due 2027, \$300 million, 8.1%	300	300
Guaranteed Notes due 2022, 750 million, 1.875% (\$3 million of discount; \$3 million of debt issuance cost)	919	894
Guaranteed Notes due 2027, \$1,000 million, 3.5% (\$9 million of discount; \$8 million of debt issuance cost)	953	984
Other	26	25
Total	8,536	8,551
Less current maturities	(5)	(2)
Long-term debt	\$ 8,531	\$ 8,549

Fair value hedging adjustments associated with the fair value hedge accounting of our fixed-for-floating interest rate swaps for the applicable periods are as follows:

Gains (Losses) Three Months Ended	Cumulative Fair Value Hedging Adjustment Included in Carrying Amount of Debt
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Millions of dollars	Inception Year	March 31, 2018	March 31, 2017	March 31, 2018	December 31, 2017
Senior Notes due 2019, 5.0%	2014	\$ (1)	\$ (36)	\$ 35	\$ 36
Senior Notes due 2021, 6.0%	2016	14	2	26	12
Guaranteed Notes due 2027, 3.5%	2017	31	(1)	30	(1)
Total		\$ 44	\$ (35)	\$ 91	\$ 47

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

The cumulative fair value hedging adjustment remaining at March 31, 2018 and December 31, 2017 associated with our Senior Notes due 2019 includes \$25 million and \$31 million, respectively, for hedges that have been discontinued. The \$36 million loss in the three months ended March 31, 2017 included a \$44 million charge for the write-off of the cumulative fair value hedging adjustment related to our 5% Senior Notes due 2019 described below.

These fair value adjustments are recognized in Interest expense in the Consolidated Statements of Income.

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

Millions of dollars	March 31, 2018	December 31, 2017
\$2,500 million Senior Revolving Credit Facility	\$	\$
\$900 million U.S. Receivables Securitization Facility		
Commercial paper		
Precious metal financings	73	64
Other	4	4
Total short-term debt	\$ 77	\$ 68

Long-Term Debt

Guaranteed Notes due 2027 In March 2017, 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 \$1,000 million of 3.5% guaranteed notes due 2027 at a discounted price of 98.968%.

Senior Notes due 2019 In March 2017, we redeemed \$1,000 million aggregate principal amount of our outstanding 5% senior notes due 2019, and paid \$65 million in make-whole premiums. In conjunction with the redemption of these notes, we recognized non-cash charges of \$4 million for the write-off of unamortized debt issuance costs and \$44 million for the write-off of the cumulative fair value hedge accounting adjustment related to the redeemed notes.

Short-Term Debt

Senior Revolving Credit Facility Our \$2,500 million revolving credit facility, which expires in June 2022, 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, including amounts outstanding under our commercial paper program, and letters of credit under this facility may not exceed \$2,500 million at any given time. Borrowings under the facility bear interest at a Base Rate or LIBOR, plus an applicable margin. Additional fees are incurred for the average daily unused commitments.

The facility contains customary covenants and warranties, including specified restrictions on indebtedness and liens. In addition, we are required to maintain a leverage ratio at the end of every fiscal 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 March 31, 2018.

Commercial Paper Program We have a commercial paper program under which we may issue up to \$2,500 million of privately placed, unsecured, short-term promissory notes (commercial paper). This program 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.

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LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. Receivables Securitization Facility Our U.S. accounts receivable securitization facility, which expires in August 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. The facility is also subject to customary warranties and covenants, including limits and reserves and the maintenance of specified financial ratios. We are required to maintain a leverage ratio at the end of every fiscal quarter of 3.50 to 1.00 or less for the period covering the most recent four quarters. Performance obligations under the facility are guaranteed by the parent company. Additional fees are incurred for the average daily unused commitments.

At March 31, 2018, there were no borrowings or letters of credit under the facility.

Weighted Average Interest Rate At March 31, 2018 and December 31, 2017, our weighted average interest rate on outstanding short-term debt was 4.1% and 1.8%, respectively.

Debt Discount and Issuance Costs In the three months ended March 31, 2018 and 2017, amortization of debt discounts and debt issuance costs resulted in amortization expense of \$4 million and \$8 million, respectively, which is included in Interest expense in the Consolidated Statements of Income.

Other Information On December 28, 2016, LYB International Finance III, LLC was formed as a private company with limited liability in Delaware. LYB International Finance III, LLC is a direct, 100% owned finance subsidiary of LyondellBasell N.V., as defined in Rule 3-10(b) of Regulation S-X. Any debt securities issued by LYB International Finance III, LLC will be fully and unconditionally guaranteed by LyondellBasell N.V.

7. Financial Instruments and Fair Value Measurements

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.

A summary of our financial instruments, risk management policies, derivative instruments, hedging activities and fair value measurement can be found in Notes 2 and 14 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2017. If applicable, updates have been included in the respective sections below.

At March 31, 2018 and December 31, 2017, we had marketable securities classified as Cash and cash equivalents of \$1,312 million and \$1,035 million, respectively.

Foreign Currency Gain (Loss) Other income, net, in the Consolidated Statements of Income reflected foreign currency gains of \$6 million for the three months ended March 31, 2018 and foreign currency losses of \$5 million for the three months ended March 31, 2017.

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Financial Instruments Measured at Fair Value on a Recurring Basis The following table summarizes financial instruments outstanding as of March 31, 2018 and December 31, 2017 that are measured at fair value on a recurring basis:

Millions of dollars	March 31, 2018		December 31, 2017		Balance Sheet Classification
	Notional Amount	Fair Value	Notional Amount	Fair Value	
Assets					
Derivatives designated as hedges:					
Foreign currency	\$ 498	\$ 54	\$ -	\$ 26	Prepaid expenses and other current assets
Foreign currency			2,000	25	Other assets
Interest rates		26		20	Prepaid expenses and other current assets
Interest rates	600	13	650	1	Other assets
Derivatives not designated as hedges:					
Commodities	74	5	77	20	Prepaid expenses and other current assets
Foreign currency	377	2	19		Prepaid expenses and other current assets
Non-derivatives:					
Available-for-sale debt securities	696	696	960	960	Short-term investments
Equity securities	350	346	350	347	Short-term investments
Total	\$ 2,595	\$ 1,142	\$ 4,056	\$ 1,399	
Liabilities					
Derivatives designated as hedges:					
Commodities	\$ 71	\$ 7	\$ 97	\$ 8	Accrued liabilities
Commodities	3		5		Other liabilities
Foreign currency	139	52	139	29	Accrued liabilities
Foreign currency	2,950	237	950	140	Other liabilities
Interest rates		5		5	Accrued liabilities
Interest rates	3,400	67	3,350	58	Other liabilities
Derivatives not designated as hedges:					
Commodities	65	8	108	29	Accrued liabilities
Foreign currency	372	5	995	11	Accrued liabilities
Non-derivatives:					
Performance share awards	28	28	23	23	Accrued liabilities
Performance share awards	1	1	27	27	Other liabilities
Total	\$ 7,029	\$ 410	\$ 5,694	\$ 330	

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

All derivatives and available-for-sale debt securities in the tables above are classified as Level 2. Our limited partnership investments included in our equity securities discussed below, are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy.

At March 31, 2018, our outstanding foreign currency and commodity contracts not designated as hedges mature from April 2018 to June 2018 and from April 2018 to January 2019, respectively.

Financial Instruments Not Measured at Fair Value on a Recurring Basis The following table presents the carrying value and estimated fair value of our financial instruments that are not measured at fair value on a recurring basis as of March 31, 2018 and December 31, 2017. 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 fair values of short-term and long-term debt exclude capital leases and commercial paper.

Millions of dollars	March 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-derivatives:				
Assets:				
Short-term loans receivable	\$ 586	\$ 586	\$ 570	\$ 570
Liabilities:				
Short-term debt	\$ 73	\$ 71	\$ 64	\$ 75
Long-term debt	8,510	9,158	8,526	9,442
Total	\$ 8,583	\$ 9,229	\$ 8,590	\$ 9,517

All financial instruments in the table above are classified as Level 2. There were no transfers between Level 1 and Level 2 for any of our financial instruments during the three months ended March 31, 2018 and the year ended December 31, 2017.

Net Investment Hedges In March 2018, we entered into 400 million of foreign currency contracts that were designated as net investment hedges. These foreign currency contracts expire June 15, 2018. In 2017, we entered into 617 million of foreign currency contracts that were designated as net investment hedges.

In 2016, we also issued euro denominated notes payable due 2022 with notional amounts totaling 750 million that were designated as a net investment hedge.

At March 31, 2018 and December 31, 2017, we had outstanding foreign currency contracts with an aggregate notional value of 1,142 million (\$1,287 million) and 742 million (\$789 million), respectively, designated as net investment hedges. In addition, at March 31, 2018 and December 31, 2017 we had outstanding foreign-currency denominated debt, with notional amounts totaling 750 million (\$925 million) and 750 million (\$899 million), respectively, designated as a net investment hedge.

There was no ineffectiveness recorded during the three months ended March 31, 2017 related to these hedging relationships.

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Cash Flow Hedges The following table summarizes our cash flow hedges outstanding at March 31, 2018 and December 31, 2017:

Millions of dollars	March 31, 2018	December 31, 2017	Expiration Date
	Notional Value	Notional Value	
Foreign currency	\$ 2,300	\$ 2,300	2021 to 2027
Interest rates	1,000	1,000	2019
Commodities	74	102	2018 to 2019

There was no ineffectiveness recorded during the three months ended March 31, 2017 related to these hedging relationships.

As of March 31, 2018, less than \$1 million (on a pretax basis) is scheduled to be reclassified as a decrease to interest expense and \$7 million (on a pretax basis) is scheduled to be reclassified as an increase to cost of sales over the next twelve months.

Fair Value Hedges In February 2017, we entered into U.S. dollar fixed-for-floating interest rate swaps to mitigate changes in the fair value of our \$1,000 million 3.5% guaranteed notes due 2027 associated with the risk of variability in the 3 Month USD LIBOR rate (the benchmark interest rate). The fixed-rate and variable-rate are settled semi-annually and quarterly, respectively.

In March 2017, concurrent with the redemption of \$1,000 million of our outstanding 5% senior notes due 2019, we dedesignated the related \$2,000 million fair value hedge and terminated swaps in the notional amount of \$1,000 million. At the same time, we redesignated the remaining \$1,000 million notional amount of swaps as a fair value hedge of the remaining \$1,000 million of 5% senior notes outstanding.

We had outstanding interest rate contracts with aggregate notional amounts of \$3,000 million at March 31, 2018 and December 31, 2017, respectively, designated as fair value hedges. Our interest rate contracts outstanding at March 31, 2018 mature from 2019 to 2027.

There was no ineffectiveness recorded for the three months ended March 31, 2017 related to these hedging relationships.

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Impact on Earnings and Other Comprehensive Income The following table summarizes the pre-tax effect of derivative instruments and non-derivative instruments on Other comprehensive income and earnings for the three months ended March 31:

Millions of dollars			Effect of Financial Instruments				Income Statement Classification
	Gain (Loss) Recognized in AOCI		Gain (Loss) Reclassified from AOCI to Income		Gain (Loss) Recognized in Income		
	2018	2017	2018	2017	2018	2017	
Derivatives designated as net investment hedges:							
Foreign currency	\$ (17)	\$ (22)	\$	\$	\$ 5	\$	Interest expense
Derivatives designated as cash flow hedges:							
Commodities	(3)	(2)	4				Cost of sales
Foreign currency	(108)	(7)	62	25	8	12	Other income, net; Interest expense
Interest rates	49	7					Interest expense
Derivatives designated as fair value hedges:							
Interest rates					(44)	(1)	Interest expense
Derivatives not designated as hedges:							
Commodities					1	(1)	Sales and other operating revenues
Commodities					(4)	(11)	Cost of sales
Foreign currency					(19)	(1)	Other income, net
Non-derivatives designated as net investment hedges:							
Long-term debt	(25)	(10)					Other income, net
Total	\$ (104)	\$ (34)	\$ 66	\$ 25	\$ (53)	\$ (2)	

The derivative amounts excluded from effectiveness testing for foreign currency contracts designated as net investment hedges recognized in other comprehensive income and interest expense for the three months ended March 31, 2018 were \$4 million and \$5 million, respectively.

For the three months ended March 31, 2018, a \$62 million gain for our foreign currency contracts designated as cash flow hedges was reclassified from AOCI to Other income, net.

The pre-tax effect of the periodic receipt of fixed interest and payment of variable interest associated with our fixed-for-floating interest rate swaps resulted in an additional gain recognized in Interest expense of \$3 million and \$7 million during the three months ended March 31, 2018 and 2017, respectively.

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

Investments in Available-for-Sale Debt Securities The following table summarizes the amortized cost, gross unrealized gains and losses, and fair value of our available-for-sale debt securities that are outstanding as of March 31, 2018 and December 31, 2017:

Millions of dollars	Cost	March 31, 2018		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale debt securities:				
Commercial paper	\$ 50	\$	\$	\$ 50
Bonds	646	1	(1)	646
Total available-for-sale debt securities	\$ 696	\$ 1	\$ (1)	\$ 696

Millions of dollars	Cost	December 31, 2017		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale securities:				
Commercial paper	\$ 180	\$	\$	\$ 180
Bonds	630			630
Certificates of deposit	150			150
Limited partnership investments	350	2	(5)	347
Total available-for-sale securities	\$ 1,310	\$ 2	\$ (5)	\$ 1,307

No losses related to other-than-temporary impairments of our available-for-sale debt securities have been recorded in Accumulated other comprehensive loss during the three months ended March 31, 2018 and the year ended December 31, 2017.

As of March 31, 2018, our available-for-sale debt securities had the following maturities: commercial paper securities had maturities of three months and bonds had maturities between three and thirty-one months.

The proceeds from maturities and sales of our available-for-sale debt securities during the three months ended March 31, 2018 and 2017 are summarized in the following table:

Millions of dollars	Three Months Ended	
	March 31,	March 31,
	2018	2017
Proceeds from maturities of securities	\$ 335	\$ 338

Proceeds from sales of securities

No gain or loss was realized in connection with the sales of our available-for-sale debt securities during the three months ended March 31, 2018 and 2017.

During the three months ended March 31, 2017, we had maturities of our held-to-maturity securities of \$44 million.

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The following table summarizes the fair value and unrealized losses related to available-for-sale debt securities that were in a continuous unrealized loss position for less than and greater than twelve months as of March 31, 2018 and December 31, 2017:

	March 31, 2018			
	Less than 12 months Fair Value	Unrealized Loss	Greater than 12 months Fair Value	Unrealized Loss
Millions of dollars				
Available-for-sale debt securities:				
Bonds	\$ 247	\$ (1)	\$ 25	\$

	December 31, 2017			
	Less than 12 months Fair Value	Unrealized Loss	Greater than 12 months Fair Value	Unrealized Loss
Millions of dollars				
Available-for-sale securities:				
Limited partnership investments	\$ 117	\$ (5)	\$	\$

Investments in Equity Securities Our equity securities primarily consist of our limited partnership investments, which 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 may be redeemed at least monthly with advance notice ranging up to ninety days.

The following table summarizes the portion of unrealized gains and losses for the equity securities that are outstanding as of March 31, 2018:

Millions of dollars	
Net losses recognized during the period	\$ (1)
Less: Net gains (losses) recognized during the period on securities sold	
Unrealized losses recognized during the period	\$ (1)

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. Pension and Other Postretirement Benefits**

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

Millions of dollars	Three Months Ended March 31,			
	2018		2017	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$ 13	\$ 9	\$ 12	\$ 9
Interest cost	15	8	15	5
Expected return on plan assets	(30)	(6)	(30)	(4)
Actuarial and investment loss amortization	5	3	5	4
Net periodic benefit costs	\$ 3	\$ 14	\$ 2	\$ 14

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

Millions of dollars	Three Months Ended March 31,			
	2018		2017	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$ 1	\$ 1	\$ 1	\$ 1
Interest cost	2		2	
Actuarial loss amortization				1
Net periodic benefit costs	\$ 3	\$ 1	\$ 3	\$ 2

The components of net periodic benefit cost other than the service cost component are included in Other income, net in the Consolidated Statements of Income.

9. Income Taxes

Our effective income tax rate for the three months ended March 31, 2018 was 19.8% compared with 28.1% for the three months ended March 31, 2017. Our effective income tax rate fluctuates based on, among other factors, changes in statutory tax rates, changes in pretax income in countries with varying statutory tax rates, changes in valuation allowances, changes in foreign exchange gains/losses, the amount of exempt income, and changes in unrecognized tax benefits associated with uncertain tax positions.

Compared with the three months ended March 31, 2017, the lower effective tax rate for the three months ended March 31, 2018 was primarily attributable to the impact of the reduction to the U.S. federal statutory tax rate as a

result of the U.S.-enacted H.R.1, also known as the Tax Act and increases in exempt income, partially offset by the repeal of the U.S. domestic production activity deduction.

We monitor income tax developments in countries where we conduct business. On December 22, 2017, the Tax Act was enacted with some provisions effective as early as 2017 while others were delayed until 2018. This change in U.S. tax law included a reduction in the federal corporate tax rate from 35% to 21% for years beginning after 2017, which resulted in the remeasurement of our U.S. net deferred income tax liabilities. Our 2017 income tax provision included a provisional estimate of \$819 million income tax benefit related to the remeasurement of our U.S. net deferred income tax liabilities. The impact of the Tax Act may differ from this reasonable estimate due to additional guidance that may be issued, changes in assumptions made, and the finalization of certain U.S. income tax positions

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with the filing of our 2017 U.S. income tax return which will allow for the ability to conclude whether any further adjustments are necessary to our deferred tax assets and liabilities. Any adjustments to these provisional amounts will be reported as a component of income tax expense in the reporting period in which any such adjustments are identified which will be no later than the fourth quarter of 2018. We will continue to analyze the Tax Act to determine the full effects of the new law.

In September 2016, the United Kingdom enacted provisions (the so called "anti-hybrid provisions"), effective for years beginning January 1, 2017, that resulted in changes to our internal financing structure which did not materially impact our Consolidated Financial Statements. In addition, in October 2016 the U.S. Treasury issued final Section 385 debt-equity regulations that may impact our internal financings in future years. Pursuant to a recent Executive Order, the Treasury Department reviewed these regulations and determined to delay but retain these regulations, subject to further review after enactment of U.S. tax reform. There has been an increase in attention, both in the U.S. and globally, to the tax practices of multinational companies, including the European Union's state aid investigations and proposals by the Organization for Economic Cooperation and Development with respect to base erosion and profit shifting. Such attention may result in additional legislative changes that could adversely affect our tax rate. Other than the recently enacted Tax Act, management does not believe that recent changes in income tax laws will have a material impact on our Consolidated Financial Statements, although new or proposed changes to tax laws could affect our tax liabilities in the future.

10. 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 \$102 million as of March 31, 2018 and December 31, 2017. At March 31, 2018, the accrued liabilities for individual sites range from less than \$1 million to \$19 million. The remediation expenditures are expected to occur over a number of years, and not to be concentrated in any single year. In our opinion, it is reasonably possible that losses in excess of the liabilities recorded may have been incurred. However, we cannot estimate any amount or range of such possible additional losses. New information about sites, new technology or future developments such as involvement in investigations by regulatory agencies, could require us to reassess our potential exposure related to environmental matters.

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

Millions of dollars	Three Months Ended	
	March 31,	
	2018	2017
Beginning balance	\$ 102	\$ 95
Amounts paid	(2)	(2)
Foreign exchange effects	2	1
Ending balance	\$ 102	\$ 94

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LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2007 management agreement and a pending lawsuit styled *Edward S. Weisfelner, as Litigation Trustee of the LB Litigation Trust v. Leonard Blavatnik, et al.*, Adversary Proceeding No. 09-1375 (REG), in the United States Bankruptcy Court, Southern District of New York. In the *Weisfelner* lawsuit, the plaintiffs sought recovery from Access all amounts earned by the Access Entities related to their purchase of shares of Lyondell Chemical Company ("Lyondell Chemical") prior to its acquisition by Basell AF S.C.A.; distributions by Basell AF S.C.A. to its shareholders before it acquired Lyondell Chemical; and management and transaction fees and expenses.

The Access Entities also demanded \$100 million in management fees under the 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 \$723,963.65 for the amounts allegedly owed under the 2007 management agreement.

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 have defended our position in proceedings and against any claims or demands that have been asserted. 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 and the declaratory judgment action was stayed per the parties' agreement pending the outcome of the *Weisfelner* lawsuit.

The *Weisfelner* lawsuit went to trial in October 2016. In April 2017, the trial court awarded \$12.6 million to the plaintiffs and denied all other relief, and in May 2017 the court issued its Final Judgment reflecting this ruling. The plaintiffs filed an appeal to the Federal District Court for the Southern District of New York, which largely affirmed the Final Judgment on January 24, 2018.

In April 2018, the Company and the Access Entities agreed to settle all claims, including under the 2009 Proof of Claim and 2007 Management Agreement, described in the April 2011 declaratory judgment action and the Access Entities' December 2010 demand letters. No payments were required by either side under the settlement agreement; the declaratory judgment action will be dismissed and the Proof of Claim will be withdrawn.

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 March 31, 2018, we had not accrued any significant amounts for our indemnification obligations, and we are not aware of other circumstances that would likely lead to significant future indemnification obligations. We cannot determine with certainty the potential amount

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

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

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Stockholders' Equity**

Dividend Distributions On March 12, 2018, we paid a cash dividend of \$1.00 per share for an aggregate of \$395 million to shareholders of record on March 5, 2018.

Share Repurchase Programs In May 2017, our shareholders approved a proposal to authorize us to repurchase up to an additional 10% of our outstanding ordinary shares through November 2018 (May 2017 Share Repurchase Program). As a result, the authorization of the remaining unpurchased shares under the share repurchase program approved by our shareholders in May 2016 (May 2016 Share Repurchase Program) was superseded. 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 classified as Treasury stock and may be retired or used for general corporate purposes, including for various employee benefit and compensation plans.

The following table summarizes our share repurchase activity for the periods presented:

	Three Months Ended March 31, 2018		
	Shares Repurchased	Average Purchase Price, Including	Total Purchase Price, Including Commissions
Millions of dollars, except shares and per share amounts			
May 2017 Share Repurchase Program	1,292,480	\$ 107.17	\$ 138

	Three Months Ended March 31, 2017		
	Shares Repurchased	Average Purchase Price, Including	Total Purchase Price, Including Commissions
Millions of dollars, except shares and per share amounts			
May 2016 Share Repurchase Program	1,533,713	\$ 90.64	\$ 139

Due to the timing of settlements, total cash paid for share repurchases for the three months ended March 31, 2018 and 2017 was \$119 million and \$160 million, respectively.

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

	Three Months Ended March 31,	
	2018	2017
Ordinary shares outstanding:		
Beginning balance	394,512,054	404,046,331
Share-based compensation	235,671	237,758

Warrants exercised		4,099
Employee stock purchase plan	27,179	26,909
Purchase of ordinary shares	(1,292,480)	(1,533,713)
Ending balance	393,482,424	402,781,384

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

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

	Three Months Ended March 31,	
	2018	2017
Ordinary shares held as treasury shares:		
Beginning balance	183,928,109	174,389,139
Share-based compensation	(235,671)	(237,758)
Warrants exercised		509
Employee stock purchase plan	(27,179)	(26,909)
Purchase of ordinary shares	1,292,480	1,533,713
Ending balance	184,957,739	175,658,694

Accumulated Other Comprehensive Income (Loss) The components of, and after-tax changes in, Accumulated other comprehensive loss as of and for the three months ended March 31, 2018 and 2017 are presented in the following table:

		Unrealized Gains (Losses) on Unrealized Gains (Losses) and Equity on Available Securities Held by Equity -For-Sale Debt Investees						
		Financial	Securities	Investees	Defined Benefit Pension and Other Postretirement Benefit Plans	Foreign Currency Adjustments	Total	
Millions of dollars		Derivatives	Securities	Investees	Plans	Adjustments	Total	
Balance January 1, 2018		\$ (120)	\$	\$ 17	\$ (421)	\$ (761)	\$ (1,285)	
Adoption of accounting standards		(2)		(17)	(51)		(70)	
Other comprehensive income (loss) before reclassifications		(61)				37	(24)	
Tax benefit before reclassifications		17				3	20	
Amounts reclassified from accumulated other comprehensive		66			8		74	

income (loss)									
Tax expense		(15)				(1)		(16)	
Net other comprehensive income (loss)									
		7				7		40	
		54							
Balance	March 31, 2018	\$	(115)	\$		\$	(465)	\$	(721)
									\$ (1,301)

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		<div> <div>Unrealized Gains (Losses) on Unrealized Gains (Losses) on Available -For-Sale Debt Financial</div> <div> <div>Equity Securities and Equity Securities Held by Equity Investees</div> <div> <div>Defined Benefit Pension and Other Postretirement Benefit Plans</div> <div>Foreign Currency Translation Adjustments</div> </div> </div> </div>							Total
Millions of dollars		Derivatives	Securities	Investees	Plans	Adjustments	Total		
Balance	January 1, 2017	\$ (75)	\$ 1	\$	\$ (498)	\$ (939)	\$ (1,511)		
Other comprehensive income (loss) before reclassifications		(2)	(1)	8		38	43		
Tax (expense) benefit before reclassifications		6		1		(2)	5		
Amounts reclassified from accumulated other comprehensive income (loss)		25			10		35		
Tax expense		(7)			(3)		(10)		
Net other comprehensive income (loss)		22	(1)	9	7	36	73		
Balance	March 31, 2017	\$ (53)	\$	\$ 9	\$ (491)	\$ (903)	\$ (1,438)		

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

		Three Months Ended March 31,		Affected Line Item on the Consolidated
Millions of dollars		2018	2017	Statements of Income
Reclassification adjustments for:				
Financial derivatives	Foreign currency	\$ 62	\$ 25	Other income, net
Financial derivatives	Commodities	4		Cost of sales
Income tax expense		15	7	Provision for income taxes
Financial derivatives, net of tax		51	18	
Amortization of defined pension items:				

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Actuarial loss	8	10	
Income tax expense	1	3	
Defined pension items, net of tax	7	7	
Total reclassifications, before tax	74	35	
Income tax expense	16	10	Provision for income taxes
Total reclassifications, after tax	\$ 58	\$ 25	Amount included in net income

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Amortization of prior service cost and actuarial loss is included in the computation of net periodic pension and other postretirement benefit costs (see Note 8).

12. Per Share Data

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

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

	Three Months Ended March 31,			
	2018		2017	
Millions of dollars	Continuing Operations	Discontinued Operations	Continuing Operations	Discontinued Operations
Net income (loss)	\$ 1,231	\$	\$ 805	\$ (8)
Less: net (income) loss attributable to non-controlling interests				
Net income (loss) attributable to the Company shareholders	1,231		805	(8)
Net income attributable to participating securities	(1)		(1)	
Net income (loss) attributable to ordinary shareholders basic and diluted	\$ 1,230	\$	\$ 804	\$ (8)
Millions of shares, except per share amounts				
Basic weighted average common stock outstanding	394	394	403	403
Effect of dilutive securities:				
PSU awards	1	1		
Potential dilutive shares	395	395	403	403
Earnings (loss) per share:				
Basic	\$ 3.12	\$	\$ 2.00	\$ (0.02)