

LyondellBasell Industries N.V.

2010 Second Quarter Report

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Quarterly Financial Report for the period ended June 30, 2010 (unaudited)

PART I

NOTICE

LyondellBasell Industries N.V., a company with limited liability incorporated in the Netherlands, is the successor in interest to LyondellBasell Industries AF S.C.A., a Luxembourg company. LyondellBasell Industries AF S.C.A. is no longer part of the LyondellBasell group.

NO OFFER; FORWARD-LOOKING STATEMENTS

The financial statements and other information included on LyondellBasell's website at www.lyondellbasell.com are not intended and do not constitute an offer to sell or a solicitation of an offer to purchase any securities. LyondellBasell is not required by U.S. securities laws to file, and currently does not file, annual, quarterly or periodic reports with the United States Securities and Exchange Commission's ("SEC"). The materials included on LyondellBasell's website are being provided for informational purposes only and are provided subject to the qualifications set forth therein, including without limitation with respect to the attached consolidated financial statements, and all related notes to the consolidated financial statements.

The attached LyondellBasell Quarterly Financial Report for the period ended June 30, 2010 and issued on August 20, 2010 contains consolidated financial statements that are unaudited and have been prepared from the books and records of LyondellBasell Industries N.V. from and after April 30, 2010 and LyondellBasell Industries AF S.C.A. for periods prior to that date. They do not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting only of normally recurring adjustments, except as described below, considered necessary for a fair presentation have been included.

For further information, please refer to our audited consolidated financial statements for the year ended December 31, 2009.

As a result of LyondellBasell Industries AF S.C.A.'s emergence from bankruptcy under Chapter 11 of the U.S. Bankruptcy Code on April 30, 2010, LyondellBasell Industries N.V. became the successor parent holding company of LyondellBasell AF's subsidiaries after completion of the bankruptcy cases. This resulted in LyondellBasell Industries N.V. becoming the reporting entity, with no retained earnings or accumulated deficit. The Quarterly Financial Report includes information relating to the "predecessor," which is LyondellBasell AF through April 30, 2010 and the "successor," which is LyondellBasell N.V. thereafter. The financial statements after April 30, 2010 include the impact of the reorganization and the application of fresh-start accounting and therefore are presented on a basis different from, and are not comparable to, the predecessor financial statements.

Certain of the statements contained in the Quarterly Financial Report are "forward-looking statements" within the meaning of the U.S. federal securities laws. Some of the forward-looking statements may be identified by words such as "estimate," "believe," "expect," "anticipate," "plan," "may," "should" or other words that convey the uncertainty of future events or outcomes. These forward-looking statements are based on expectations and assumptions of management about future events which are believed to be reasonable at the time made and are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond LyondellBasell's control. LyondellBasell's actual results could be materially affected by factors including, but not limited to:

- the ability of LyondellBasell to comply with the terms of its financing facilities;
- the availability, cost and price volatility of raw materials and utilities, particularly the cost of oil and natural gas;
- uncertainties associated with the United States and worldwide capital markets and economies;
- the supply and demand balances for LyondellBasell's and its joint ventures' products, and the related effects of industry production capacities and operating rates;
- legal and environmental proceedings;
- tax rulings, consequences or proceedings;
- the business cyclicality of the chemical, polymers and refining industries;
- operating interruptions (including leaks, explosions, fires, weather-related incidents, mechanical failure, unscheduled downtime, supplier disruptions, labor shortages, strikes, work stoppages or other labor difficulties, transportation interruptions, spills and releases and other environmental risks);
- current and potential governmental regulatory actions in the U.S. and in other countries, including potential climate change regulation;
- political unrest and terrorist acts;

- competitive product and pricing pressures;
- LyondellBasell's ability to achieve expected cost savings and other synergies;
- risks and uncertainties posed by international operations, including foreign currency fluctuations;
- LyondellBasell's ability to comply with debt covenants and service its substantial indebtedness;
- availability of cash and access to capital markets; and
- technological developments and LyondellBasell's ability to develop new products and process technologies.

Any of these factors, or a combination of these factors and other factors which are not currently known to LyondellBasell, could materially affect LyondellBasell's future results of operations (including those of its joint ventures) and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of future performance, and LyondellBasell's actual results (including those of its joint ventures) and future developments may differ materially from those projected in the forward-looking statements. Management cautions against putting undue reliance on forward-looking statements or projecting any future results based on such statements or present or prior earnings levels.

All forward-looking statements in the Quarterly Financial Report are qualified in their entirety by the cautionary statements contained herein and on LyondellBasell's website. See the Form 10 filed with the SEC, including amendments thereto, for additional information about factors that may affect LyondellBasell's businesses and operating results (including those of its joint ventures). These factors are not necessarily all of the important factors that could affect LyondellBasell and its joint ventures. You may find the Form 10 and the amendments thereto at www.sec.gov or via the link on the company website at <http://www.lyondellbasell.com/InvestorRelations/FinancialInformation/SECFilings>.

The Quarterly Financial Report contains time sensitive information that is accurate only as of the time hereof. LyondellBasell undertakes no obligation to update the information presented herein except to the extent required by law.

In addition, the Quarterly Financial Report contains summaries of contracts and other documents. These summaries may not contain all of the important information and reference is made to the actual contract or document for a more complete understanding of the contract or document involved.

PART II

LyondellBasell Industries N.V.

Quarterly Financial Report

For the Period Ended June 30, 2010

LyondellBasell Industries N.V., a company with limited liability, incorporated in the Netherlands (“LyondellBasell N.V.”) is the successor in interest to LyondellBasell Industries AF S.C.A., a Luxembourg company. LyondellBasell Industries AF S.C.A. is no longer part of the LyondellBasell group. Lyondell Chemical Company, along with certain of its subsidiaries and affiliates, emerged from chapter 11 on April 30, 2010.

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FINANCIAL INFORMATION
CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
LYONDELLBASELL INDUSTRIES N.V.
CONSOLIDATED STATEMENTS OF INCOME

	Successor	Predecessor			
	May 1 through June 30, 2010	April 1 through April 30, 2010	January 1 through April 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2009
<u>Millions of dollars</u>					
Sales and other operating revenues:					
Trade	\$ 6,655	\$ 3,654	\$ 13,260	\$ 7,396	\$ 13,203
Related parties	117	58	207	103	196
	6,772	3,712	13,467	7,499	13,399
Operating costs and expenses:					
Cost of sales	6,198	3,284	12,414	7,158	12,950
Selling, general and administrative expenses	129	91	308	227	434
Research and development expenses	23	14	55	25	67
	6,350	3,389	12,777	7,410	13,451
Operating income (loss)	422	323	690	89	(52)
Interest expense	(132)	(302)	(713)	(501)	(934)
Interest income	12	3	5	3	11
Other income (expense), net	54	(65)	(265)	71	156
Income (loss) before equity investments, reorganization items and income taxes	356	(41)	(283)	(338)	(819)
Income from equity investments	27	29	84	22	2
Reorganization items	(8)	7,803	8,010	(124)	(1,072)
Income (loss) before income taxes	375	7,791	7,811	(440)	(1,889)
Provision for (benefit from) income taxes	28	(705)	(693)	(87)	(519)
Net income (loss)	347	8,496	8,504	(353)	(1,370)
Less: net (income) loss attributable to non-controlling interests	(5)	58	60	2	3
Net income (loss) attributable to the Company	\$ 342	\$ 8,554	\$ 8,564	\$ (351)	\$ (1,367)
Earnings per share:					
Net income (loss):					
Basic	\$ 0.61				
Diluted	\$ 0.58				

See Notes to the Consolidated Financial Statements.

LYONDELLBASELL INDUSTRIES N.V.

CONSOLIDATED BALANCE SHEETS

<u>Millions, except shares and par value data</u>	<u>Successor</u>	<u>Predecessor</u>
	<u>June 30,</u>	<u>December 31,</u>
	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,753	\$ 558
Short-term investments	--	11
Accounts receivable:		
Trade, net	3,305	3,092
Related parties	228	195
Inventories	4,372	3,277
Prepaid expenses and other current assets	1,029	1,133
Total current assets	12,687	8,266
Property, plant and equipment, net	6,839	15,152
Investments and long-term receivables:		
Investment in PO joint ventures	434	922
Equity investments	1,507	1,085
Other investments and long-term receivables	77	112
Goodwill	1,061	--
Intangible assets, net	1,427	1,861
Other assets	257	363
Total assets	<u>\$ 24,289</u>	<u>\$ 27,761</u>

See Notes to the Consolidated Financial Statements.

LYONDELLBASELL INDUSTRIES N.V.

CONSOLIDATED BALANCE SHEETS—(Continued)

<u>Millions, except shares and par value data</u>	<u>Successor</u> <u>June 30,</u> <u>2010</u>	<u>Predecessor</u> <u>December 31,</u> <u>2009</u>
LIABILITIES AND EQUITY (DEFICIT)		
Current liabilities:		
Current maturities of long-term debt	\$ 8	\$ 497
Short-term debt	557	6,182
Accounts payable:		
Trade	1,822	1,627
Related parties	704	501
Accrued liabilities	1,199	1,390
Deferred income taxes	444	170
Total current liabilities	<u>4,734</u>	<u>10,367</u>
Long-term debt	6,745	305
Other liabilities	2,013	1,361
Deferred income taxes	867	2,081
Commitments and contingencies		
Liabilities subject to compromise	--	22,494
Stockholders' equity (deficit):		
Class A, €0.04 par value, 1,000 million shares authorized and 301,771,794 shares issued at June 30, 2010	16	--
Class B, €0.04 par value, 275 million shares authorized and 263,901,979 shares issued at June 30, 2010	14	--
Predecessor common stock, €124 par value, 403,226 shares authorized and issued at December 31, 2009	--	60
Additional paid-in capital	9,820	563
Retained earnings (deficit)	342	(9,313)
Accumulated other comprehensive income (loss)	(324)	(286)
Total Company share of stockholders' equity (deficit)	<u>9,868</u>	<u>(8,976)</u>
Non-controlling interests	62	129
Total equity (deficit)	<u>9,930</u>	<u>(8,847)</u>
Total liabilities and equity (deficit)	<u>\$ 24,289</u>	<u>\$ 27,761</u>

See Notes to the Consolidated Financial Statements.

LYONDELLBASELL INDUSTRIES N.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor	Predecessor	
	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
Millions of dollars			
Cash flows from operating activities:			
Net income (loss)	\$ 347	\$ 8,504	\$ (1,370)
Adjustments to reconcile net income (loss) to net cash provided by (used in) in operating activities:			
Depreciation and amortization	129	565	895
Amortization of debt-related costs	5	307	242
Inventory valuation adjustment	333	--	89
Equity investments –			
Equity income	(27)	(84)	(2)
Distributions of earnings	28	18	9
Deferred income taxes	(3)	(770)	(556)
Reorganization and fresh start accounting adjustments, net	8	(8,010)	1,072
Reorganization-related payments, net	(92)	(147)	(90)
Payment of claims under Plan of Reorganization	(183)	(260)	--
Unrealized foreign currency exchange loss (gains)	14	264	(113)
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	139	(650)	(138)
Inventories	56	(368)	450
Accounts payable	226	249	(20)
Repayment of accounts receivable securitization facility	--	--	(503)
Prepaid expenses and other current assets	(8)	47	(296)
Other, net	132	(601)	(531)
Net cash provided by (used in) operating activities	1,104	(936)	(862)

See Notes to the Consolidated Financial Statements.

LYONDELLBASELL INDUSTRIES N.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

	Successor	Predecessor	
	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
Millions of dollars			
Cash flows from investing activities:			
Expenditures for property, plant and equipment	(113)	(226)	(370)
Proceeds from insurance claims	--	--	72
Advances and contributions to affiliates	--	--	6
Proceeds from disposal of assets	4	1	15
Short-term investments	--	12	15
Net cash used in investing activities	(109)	(213)	(262)
Cash flows from financing activities:			
Issuance of Class B common stock	--	2,800	--
Proceeds from note payable	--	--	100
Repayment of note payable	--	--	(100)
Net proceeds from (repayments of) debtor-in-possession term loan facility	--	(2,170)	2,018
Net borrowings (repayments) under debtor-in- possession revolving credit facility	--	(325)	300
Net repayments under pre-petition revolving credit facilities	--	--	(766)
Net borrowings (repayments) on revolving credit facilities	130	38	(444)
Proceeds from short-term debt	--	8	59
Repayments of short-term debt	--	(14)	--
Issuance of long-term debt	--	3,242	--
Repayments of long-term debt	--	(9)	(54)
Payments of equity and debt issuance costs	(2)	(253)	(93)
Other, net	5	(2)	--
Net cash provided by financing activities	133	3,315	1,020
Effect of exchange rate changes on cash	(86)	(13)	(8)
Increase (decrease) in cash and cash equivalents	1,042	2,153	(112)
Cash and cash equivalents at beginning of period	2,711	558	858
Cash and cash equivalents at end of period	<u>\$ 3,753</u>	<u>\$ 2,711</u>	<u>\$ 746</u>
Interest paid	\$ 8	\$ 360	\$ 554
Net income taxes paid	<u>\$ 40</u>	<u>\$ 12</u>	<u>\$ 44</u>

See Notes to the Consolidated Financial Statements.

LYONDELLBASELL INDUSTRIES N.V.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

<u>Millions, except shares</u>	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Stockholders' Equity (Deficit)</u>	<u>Non- Controlling Interests</u>	<u>Comprehensive Income (Loss)</u>
	<u>Shares</u>	<u>Amount</u>						
Predecessor								
Balance, December 31, 2009	403,226	\$ 60	\$ 563	\$ (9,313)	\$ (286)	\$ (8,976)	\$ 129	
Net income (loss)	--	--	--	8,564	--	8,564	(60)	\$ 8,504
Net distributions to non-controlling interests	--	--	--	--	--	--	(15)	--
Financial derivatives, net of tax of \$51 million	--	--	--	--	90	90	--	90
Unrealized gain on held-for-sale securities held by equity investees	--	--	--	--	(13)	(13)	--	(13)
Changes in unrecognized employee benefits gains and losses, net of tax of \$3 million	--	--	--	--	(48)	(48)	--	(48)
Foreign currency translation	--	--	--	--	(25)	(25)	--	(25)
Comprehensive loss								<u>\$ 8,508</u>
Balance, April 30, 2010, Predecessor	403,226	60	563	(749)	(282)	(408)	54	
Fresh-start reporting adjustments:								
Elimination of predecessor common stock, capital surplus and accumulated earnings	(403,226)	(60)	(563)	749	--	126	--	
Elimination of predecessor accumulated other comprehensive loss	--	--	--	--	282	282	--	
Balance, May 1, 2010, Successor	<u>--</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 54</u>	
Successor								
Balance May 1, 2010	--	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 54	
Issuance of Class A and Class B common stock	563,901,979	30	9,815	--	--	9,845	--	
Share-based compensation	1,771,794	--	5	--	--	5	--	
Net income	--	--	--	342	--	342	5	\$ 347
Contributions from non-controlling interests	--	--	--	--	--	--	4	--
Foreign currency translation	--	--	--	--	(324)	(324)	--	(324)
Other	--	--	--	--	--	--	(1)	--
Comprehensive income (loss)								<u>\$ 23</u>
Balance, June 30, 2010	<u>565,673,773</u>	<u>\$ 30</u>	<u>\$ 9,820</u>	<u>\$ 342</u>	<u>\$ (324)</u>	<u>\$ 9,868</u>	<u>\$ 62</u>	

See Notes to the Consolidated Financial Statements.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

1. Basis of Presentation

LyondellBasell Industries N.V. is a limited liability company (*Naamloze Vennootschap*) incorporated under Dutch law by deed of incorporation dated October 15, 2009. LyondellBasell Industries N.V., together with its consolidated subsidiaries (collectively “LyondellBasell N.V.”, the “Successor Company” or the “Successor”), 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.

As a result of LyondellBasell Industries AF S.C.A.’s (“LyondellBasell AF”, the “Predecessor Company” or the “Predecessor”) emergence from chapter 11 of the U.S. Bankruptcy Code (“chapter 11”) on April 30, 2010 (the “Emergence Date”), LyondellBasell N.V. became the successor parent holding company for the subsidiaries of LyondellBasell AF after completion of the Bankruptcy Cases. LyondellBasell AF’s equity interests in its indirect subsidiaries terminated, and LyondellBasell N.V. now owns and operates, directly and indirectly, substantially the same business as LyondellBasell AF owned and operated prior to emergence from the Bankruptcy Cases. LyondellBasell AF is no longer part of the LyondellBasell group. References herein to the “Company” for periods prior to April 30, 2010 are to the Predecessor Company, LyondellBasell AF, and for periods after the Emergence Date, to the Successor Company, LyondellBasell N.V.

The accompanying consolidated financial statements are unaudited and have been prepared from the books and records of LyondellBasell N.V. from April 30, 2010 and LyondellBasell AF for periods prior to that date. They do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, 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 AF consolidated financial statements and notes thereto for the year ended December 31, 2009, included in Amendment 2 to LyondellBasell N.V.’s Form 10 filed with the SEC on July 26, 2010.

Fresh Start Accounting—In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 852, Reorganizations, (“ASC 852”), LyondellBasell N.V. applied “fresh-start” accounting as of May 1, 2010. Fresh-start accounting requires LyondellBasell N.V. to initially record the assets and liabilities at their fair value based on the Company’s reorganization value. Reorganization value is the fair value of the emerged entity before considering liabilities. The Company’s reorganization proceedings associated with its emergence from bankruptcy resulted in a new reporting entity. Financial information presented for the Successor is on a basis different from, and is therefore not comparable to, financial information for the Predecessor. References to “Predecessor” in the financial statements are to periods through April 30, 2010, including the impact of plan of reorganization provisions and the adoption of fresh-start accounting. For additional information on fresh-start accounting, see Note 4.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

2. Accounting Policies

The accounting policies of LyondellBasell N.V. are the same policies as the Predecessor except for those accounting policies and topics addressed herein.

License Revenue Recognition—Revenue from licensing contracts is recognized on a contract-by-contract basis when LyondellBasell N.V. determines that it has substantially sold its product or rendered service. For proven technologies for which LyondellBasell N.V. is contractually entitled to receive the vast majority of the contract value in cash at or before the date of customer acceptance, LyondellBasell N.V. will generally recognize revenue for the fixed fee at the date of delivery of the process design package and the related license, provided that the undelivered items are considered inconsequential or perfunctory and the customer's billings become due. Future fixed fees for these contracts are recognized on the date of cash receipt and when the uncertainties are resolved. For contracts involving unproven process technology, post-delivery technical assistance that is not considered inconsequential or perfunctory, LyondellBasell N.V. recognizes revenue at the date of customer acceptance up to the amount of fixed fees due at customer acceptance date. Future fixed fees for these contracts are recognized on the earlier date of cash receipt or when the uncertainties are resolved.

Inventories—Inventories are carried at the lower of current market value or cost. Cost is determined using the last-in, first out ("LIFO") method for raw materials, work in progress ("WIP") and finished goods, and the moving average cost method for materials and supplies.

Identifiable Intangible Assets—Costs to purchase and to develop software for internal use are deferred and amortized over periods of 3 to 10 years. Other intangible assets are carried at cost or amortized cost and primarily consist of emission allowances, various contracts, and in-process research and development. These assets are amortized using the straight-line method over their estimated useful lives or over the term of the related agreement, if shorter.

Stock-Based Compensation—The Company grants stock-based compensation awards that vests over a specified period or upon employees meeting certain service criteria. The fair value of equity instruments issued to employees is measured on the grant date and is recognized over the vesting period.

Classifications—LyondellBasell N.V.'s consolidated financial statements classifies precious metals and catalysts as a component of Property, plant and equipment. Catalysts and precious metals were previously reported by the Predecessor as Intangible assets and Other assets, respectively. Debt issuance costs, which were previously reported as Intangible assets by the Predecessor, are presented as Other assets by the Successor.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

2. Accounting Policies – (Continued)

New Accounting Standards

Revenue Recognition—In April 2010, the FASB issued additional guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. A vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. This amendment is effective beginning third quarter of 2010. Earlier application of this amendment is permitted. LyondellBasell N.V. is currently evaluating the impact of the adoption of this amendment on its consolidated financial statements.

Income Taxes—In April 2010, the FASB issued additional guidance on accounting for certain tax effects of the 2010 Health Care Reforms Act. The Accounting Standards Update (“ASU”) requires entities to immediately recognize, in continuing operations in the Consolidated Statement of Income, in the period that includes the enactment date, the impact of the change in tax law. The adoption of these changes, in March 2010, did not have a material effect on LyondellBasell AF’s consolidated financial statements.

Fair Value Measurement—In January 2010, the FASB issued additional guidance on improving disclosures regarding fair value measurements. The ASU requires entities to disclose the amounts of significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for these transfers, as well as the reasons for any transfers in or out of Level 3. LyondellBasell N.V. has adopted all of the amendments regarding fair value measurements except for a requirement to disclose information about purchases, sales, issuances, and settlements in the reconciliation of recurring Level 3 measurements on a gross basis. The requirement to separately disclose purchases, sales, issuances, and settlements of recurring Level 3 measurements does not become effective for LyondellBasell N.V. until 2011. LyondellBasell N.V. does not expect this additional requirement to have a material impact on its consolidated financial statements.

Multiple-element Arrangements—In October 2009, the FASB ratified the consensus reached by the EITF to require companies to allocate revenue in multiple-element arrangements based on an element’s estimated selling price if vendor-specific or other third-party evidence of value is not available. This amendment is effective beginning January 1, 2011. Earlier application of this amendment is permitted. LyondellBasell N.V. is currently evaluating both the timing and the impact of the adoption of this amendment on its consolidated financial statements.

3. Emergence from Chapter 11 Proceedings

On April 23, 2010, the U.S. Bankruptcy Court confirmed LyondellBasell AF’s Third Amended Plan of Reorganization (the “Plan” or “Plan of Reorganization”) and the Debtors emerged from chapter 11 protection on April 30, 2010.

As a result of the emergence from chapter 11 proceedings, certain prepetition liabilities against the Debtors were discharged to the extent set forth in the Plan of Reorganization and otherwise applicable law and the Debtors were permitted to make distributions to their creditors in accordance with the terms of the Plan of Reorganization.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. Emergence from Chapter 11 Proceedings – (Continued)

General unsecured nonpriority claims against the Company were addressed through the bankruptcy process and were reported as liabilities subject to compromise and adjusted to the allowed claim amount as determined through the bankruptcy process, or to the estimated claim amount if determined to be probable and estimable. Certain of these claims were resolved and satisfied on or before our emergence on April 30, 2010, while others have been or will be resolved subsequent to emergence. Except for certain specific priority claims, the unsecured nonpriority claims were resolved as part of the Plan of Reorganization.

Under the Plan of Reorganization, the organizational structure of the Company in North America was simplified by the removal of 90 legal entities. The ultimate ownership of 49 of these entities (identified as Schedule III Debtors in the Plan) was transferred to a new owner, the Millennium Custodial Trust, a trust established for the benefit of certain creditors, and these entities are no longer part of LyondellBasell N.V. In addition, certain real properties owned by the Debtors, including the Schedule III Debtors (as defined in the Plan), were transferred to the Environmental Custodial Trust, which now owns and is responsible for these properties. Any associated liabilities of the entities transferred to and owned by the Millennium Custodial Trust are the responsibility of those entities and claims regarding those entities will be resolved solely using their assets and the assets of the trust. In total, \$250 million of cash was used to fund the two trusts, including approximately \$80 million to the Millennium Custodial Trust and approximately \$170 million to fund the Environmental Custodial Trust and to make certain direct payments to the Environmental Protection Agency and certain state environmental agencies.

As part of the emergence from chapter 11 proceedings, approximately 563.9 million shares of common stock of LyondellBasell N.V. were issued under the Plan, including 300 million shares of Class A new common stock issued in exchange for allowed claims under the Plan of Reorganization. Approximately 263.9 million shares of LyondellBasell N.V. Class B stock were issued in connection with a rights offering for gross proceeds of \$2.8 billion.

Pursuant to the Plan of Reorganization, administrative and priority claims, as well as the new money debtor-in-possession (“DIP”) financing were repaid in full. The lenders of the DIP loans representing a dollar-for-dollar roll-up or conversion of previously outstanding Senior Secured loans (“Roll-up Notes”) received new third lien notes in the same principal amount as the DIP Roll-up Notes. Holders of senior secured claims received a combination of LyondellBasell N.V. Class A shares, rights to purchase Class B shares of LyondellBasell N.V., LyondellBasell N.V. stock warrants and cash in accordance with the Plan of Reorganization. Pursuant to the Amended Lender Litigation Settlement approved by the U.S. Bankruptcy Court on March 11, 2010, allowed general unsecured claims received a combination of cash and Class A shares of LyondellBasell N.V.

In conjunction with the emergence from chapter 11, LyondellBasell N.V., through its wholly owned subsidiary, LBI Escrow Corporation, (“LBI Escrow”) issued \$3.25 billion of first priority debt, including \$2.25 billion and €375 million offerings of senior secured notes in a private placement and borrowings of \$500 million under a senior term loan facility. Upon emergence, LBI Escrow merged with and into Lyondell Chemical Company (“Lyondell Chemical”), which replaced LBI Escrow as the issuer of the senior secured notes and as borrower under the term loan. On April 30, 2010, Lyondell Chemical issued \$3,240 million of roll-up notes in exchange for roll-up loans incurred as part of the debtor-in-possession financing. The net proceeds from the sale of the notes, together with borrowings under the term loan, a new European securitization facility, and proceeds from the \$2.8 billion rights offering, were used to repay and replace certain existing debt, including the debtor-in-possession credit facilities and an existing European securitization facility, and to make certain related payments. In addition, LyondellBasell N.V. entered into a new \$1,750 million asset-based revolving credit facility, which can be used for advances or to issue up to \$700 million of letters of credit.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. Emergence from Chapter 11 Proceedings – (Continued)

Liabilities Subject to Compromise—Certain prepetition liabilities subject to compromise were reported at the expected allowed amount, even if they could potentially be settled for lesser amounts in accordance with the terms of the Third Amended Plan of Reorganization. The total amount to be paid by LyondellBasell AF to settle claims is fixed under the Plan of Reorganization. As a result, all of LyondellBasell AF’s liabilities subject to compromise at April 30, 2010 have been effectively resolved at the Emergence Date. As of June 30, 2010, approximately \$121 million of priority and administrative claims have yet to be paid.

Liabilities subject to compromise included in the Predecessor’s balance sheet consist of the following:

<u>Millions of dollars</u>	<u>Predecessor</u>	
	<u>April 30, 2010</u>	<u>December 31, 2009</u>
Accounts payable	\$ 473	\$ 602
Employee benefits	994	997
Accrued interest	295	277
Conversion fee – Interim Loan	161	161
Estimated claims	1,392	1,726
Interest rate swap obligations	218	201
Related party payable	--	82
Other accrued liabilities	102	78
Long-term debt	18,310	18,370
Total liabilities subject to compromise	<u>\$ 21,945</u>	<u>\$ 22,494</u>

The April 30, 2010 liabilities subject to compromise in the above table represent such liabilities immediately prior to their discharge in accordance with the Plan of Reorganization.

The Plan of Reorganization requires that, upon emergence, certain liabilities previously reported as liabilities subject to compromise be retained by LyondellBasell N.V. Accordingly, approximately \$854 million of pension and other post-retirement benefit liabilities, included in employee benefits in the above table, were reclassified from liabilities subject to compromise to current or long-term liabilities, as appropriate, upon emergence from bankruptcy.

Debt classified as liabilities subject to compromise immediately prior to the emergence from bankruptcy included amounts outstanding under the Interim Loan; the Senior Secured Credit Facility, including the Term Loan A U.S. Dollar tranche, the U.S. dollar and German tranches of Term Loan B and the Revolving Credit Facility; 10.25% Debentures due 2010; 9.8% Debentures due 2020; 7.55% Debentures due 2026; the Senior Notes due 2015; 7.625% Senior Debentures due 2026; and loans from the State of Maryland and KIC Ltd.

All of the debt classified in liabilities subject to compromise at April 30, 2010, except for the loan from KIC Ltd., was discharged pursuant to the Plan of Reorganization through distributions of a combination of LyondellBasell N.V. Class A shares, the rights to purchase Class B shares of LyondellBasell N.V. in a rights offering, LyondellBasell N.V. stock warrants and cash. The claim from KIC Ltd. was transferred to the Millennium Custodial Trust under the Plan of Reorganization.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. Emergence from Chapter 11 Proceedings – (Continued)

Reorganization Items—Reorganization items recognized by the Debtors since the January 6, 2009 bankruptcy are classified as “Reorganization items” on the Consolidated Statement of Income.

Professional advisory fees and other costs directly associated with our reorganization are reported separately as reorganization items. Post-emergence professional fees are related to claim settlements, plan implementation and other transition costs attributable to the reorganization. Reorganization items of LyondellBasell AF include provisions and adjustments to record the carrying value of certain pre-petition liabilities at their estimated allowable claim amounts, as well as the costs incurred by non-Debtor companies as a result of the Debtors’ chapter 11 proceedings.

LyondellBasell AF’s charges (credits) for reorganization items, including charges recognized by the Debtors, were as follows:

<u>Millions of dollars</u>	<u>Successor</u>	<u>Predecessor</u>			
	<u>May 1 through June 30, 2010</u>	<u>April 1 through April 30, 2010</u>	<u>January 1 through April 30, 2010</u>	<u>Three months ended June 30, 2009</u>	<u>Six months ended June 30, 2009</u>
Change in net assets resulting from the application of fresh-start accounting	\$ --	\$ 5,656	\$ 5,656	\$ --	\$ --
Gain on discharge of liabilities subject to compromise	--	(13,617)	(13,617)	--	--
Asset write-offs and rejected contracts	--	(3)	25	18	680
Estimated claims	--	59	(262)	27	65
Accelerated amortization of debt issuance costs	--	--	--	5	35
Professional fees	4	91	172	37	94
Employee severance costs	--	8	--	18	162
Plant closures costs	--	3	12	19	36
Other	4	--	4	--	--
Total	<u>\$ 8</u>	<u>\$ (7,803)</u>	<u>\$ (8,010)</u>	<u>\$ 124</u>	<u>\$ 1,072</u>

Estimated claims in the above table include adjustments made to reflect the Debtors’ estimated claims to be allowed. Such claims were classified as “Liabilities subject to compromise.”

4. Fresh-Start Accounting

Effective May 1, 2010, LyondellBasell N.V. adopted fresh-start accounting pursuant to ASC 852. Accordingly, the basis of the assets and liabilities in LyondellBasell AF’s financial statements for periods prior to May 1, 2010 will not be comparable to the basis of the assets and liabilities in the financial statements prepared for LyondellBasell N.V. after emergence from bankruptcy.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Fresh-Start Accounting – (Continued)

In order to qualify for fresh-start accounting, ASC 852 requires that total postpetition liabilities and allowed claims be in excess of the reorganization value and that prepetition stockholders receive less than 50% of LyondellBasell N.V.'s common stock. Based on the estimated reorganization value and the terms of the Plan of Reorganization, the criteria of ASC 852 were met and, as a result, LyondellBasell N.V. applied fresh-start accounting on May 1, 2010.

In determining the range of reorganization values, LyondellBasell N.V. used a combination of customary valuation techniques, including among other things:

- The peer group trading analysis methodology which calculates the total reorganization value of LyondellBasell N.V. by applying valuation metrics derived from an analysis of publicly traded peer companies to LyondellBasell N.V.'s estimated EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization):
 - Valuation metrics consist of implied market trading multiples and are calculated by dividing the publicly traded peer company's market capitalization by its respective EBITDA;
 - The peer group trading analysis was performed on both a consolidated and reported segment basis; and
 - Public peer companies were selected based on their comparability to LyondellBasell N.V.'s reportable operating segments, with those comparable companies primarily operating in the diversified commodity chemicals, refining and technology businesses.
- Discounted cash flow valuation methodology which calculates the reorganization value of LyondellBasell N.V. as the sum of the present value of its projected unlevered after-tax free cash flows. The resulting reorganization valuation is representative of LyondellBasell N.V. on a cash-free, debt-free basis:
 - Financial projections beginning May 1, 2010 were estimated based on a 4-year and 8-month detailed forecast followed with a higher level 10-year forecast. These projections reflected certain economic and industry information relevant to the operating businesses of LyondellBasell N.V. and estimated cyclical trends where appropriate. Various time periods within the approximately 15-year forecast period were evaluated including the entire period itself. To the extent that such cycles are, or commodity price volatility within any cycle is, greater or smaller than estimated, the estimate of the reorganization value could vary significantly;
 - The projected cash flows associated with the projections were discounted at a range of rates that reflected the estimated range of weighted average cost of capital ("WACC");
 - The imputed discounted cash flow value is comprised of the sum of (i) the present value of the projected unlevered free cash flows over the projection period; and (ii) the present value of a terminal value, which represents the estimate of value attributable to performance beyond the projection period. Cash flows and associated imputed values were calculated on both a consolidated and reportable segment basis;
 - WACCs utilized in the consolidated discounted cash flow analysis ranged from 11% to 12%. The range of WACCs utilized were developed from an analysis of the yields associated with LyondellBasell N.V.'s own debt financings and the equity costs of peer companies as well as the anticipated mix of LyondellBasell N.V.'s debt and equity;

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Fresh-Start Accounting – (Continued)

- A range of terminal value EBITDA multiples were selected which, where appropriate, represented estimated industry cycle average market capitalization/EBITDA multiples; and
- Additional discounted cash flow analysis was performed for LyondellBasell N.V.’s unconsolidated joint ventures.

In April 2010 the U.S. Bankruptcy Court of New York approved the total reorganization enterprise value on a cash-free and debt-free basis for consolidated LyondellBasell AF at approximately \$14.2 billion to \$16.2 billion, with a midpoint of \$15.2 billion. This estimate incorporated adjustments to include the estimated reorganization value of LyondellBasell AF’s interests in unconsolidated joint ventures, and deducts the estimated book value of third party non-controlling interests in consolidated joint ventures. The Plan of Reorganization, which was confirmed and approved by the U.S. Bankruptcy court of New York on April 23, 2010, without objection by any third party, adopted the midpoint of \$15.2 billion as the reorganization value used to calculate and settle claims.

Fresh-start accounting requires LyondellBasell N.V. to allocate the reorganization value approved by the U.S. Bankruptcy Court to the individual assets and liabilities based upon their estimated fair values. The determination of fair values of assets and liabilities is subject to significant estimation and assumptions. The following unaudited balance sheet information illustrates the financial effects as of May 1, 2010 of implementing the Plan of Reorganization and the adoption of fresh-start accounting. Adjustments recorded to the Predecessor balance sheet, resulting from the consummation of the Plan of Reorganization and the adoption of fresh-start accounting, are summarized below.

CONSOLIDATED BALANCE SHEET

<u>Millions of dollars</u>	<u>Predecessor</u> <u>LyondellBasell</u> <u>AF</u>	<u>Reorganization</u> <u>Adjustments</u>	<u>Fresh Start</u> <u>Adjustments</u>	<u>Successor</u> <u>LyondellBasell</u> <u>N.V.</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 817	\$ 1,894	a \$ --	\$ 2,711
Accounts receivable	3,771	1	--	3,772
Inventories	3,552	--	1,297	h 4,849
Prepaid expenses and other current assets	1,098	(20)	(30)	1,048
Total current assets	9,238	1,875	1,267	12,380
Property, plant and equipment, net	14,554	--	(7,474)	i 7,080
Investments and long-term receivables:				
Investment in PO joint ventures	867	--	(415)	j 452
Equity investments	1,173	--	351	k 1,524
Other investments and long-term receivables	97	--	(46)	k 51
Goodwill	--	--	1,098	l 1,098
Intangible assets, net	1,689	--	(215)	m 1,474
Other assets	340	154	b (241)	n 253
Total assets	<u>\$ 27,958</u>	<u>\$ 2,029</u>	<u>\$ (5,675)</u>	<u>\$ 24,312</u>

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Fresh-Start Accounting – (Continued)

CONSOLIDATED BALANCE SHEET – (Continued)

<u>Millions of dollars</u>	<u>Predecessor</u>			<u>Successor</u>	
	<u>LyondellBasell</u>	<u>Reorganization</u>		<u>Fresh Start</u>	<u>LyondellBasell</u>
	<u>AF</u>	<u>Adjustments</u>		<u>Adjustments</u>	<u>N.V.</u>
Liabilities not subject to compromise:					
Current liabilities:					
Current maturities of long-term debt	\$ 485	\$ (480)	c	\$ --	\$ 5
Short-term debt	6,842	(6,392)	c	--	450
Accounts payable	2,351	1		--	2,352
Accrued liabilities	1,373	46	d	(18)	1,401
Deferred income taxes	162	(4)		285	443
Total current liabilities	11,213	(6,829)		267	4,651
Long-term debt	304	6,477	c	--	6,781
Other liabilities	1,416	808	e	(163)	2,061
Deferred income taxes	2,009	1,408	o	(2,497)	920
Commitments and contingencies					
Liabilities subject to compromise	21,945	(21,945)	f	--	--
Stockholders' equity:					
Class A, €0.04 par value, 1,000 million shares authorized and 301,771,794 shares issued at May 1, 2010	--	16	g	--	16
Class B, €0.04 par value, 275 million shares authorized and 263,901,979 shares issued at May 1, 2010	--	14	g	--	14
Additional paid-in capital	--	9,815	g	--	9,815
Predecessor common stock, €124 par value, 403,226 shares authorized and issued at April 30, 2010	60	(60)		--	--
Predecessor additional paid-in capital	563	(563)		--	--
Predecessor retained earnings (deficit)	(9,452)	12,958	f	(3,506)	--
Predecessor accumulated other comprehensive income (loss)	(212)	(70)		282	--
Total stockholders' equity (deficit)	(9,041)	22,110		(3,224)	9,845
Non-controlling interests	112	--		(58)	54
Total equity (deficit)	(8,929)	22,110		(3,282)	9,899
Total liabilities and equity (deficit)	\$ 27,958	\$ 2,029		\$ (5,675)	\$ 24,312

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Fresh-Start Accounting – (Continued)

Reorganization and Fresh-Start Accounting Adjustments

Reorganization

- a. *Cash and cash equivalents*—The adjustments to cash and cash equivalents represent net cash inflows, after giving effect to transactions pursuant to the Plan of Reorganization, including proceeds from the issuance of new notes, borrowing under the new Senior Term Loan Facility, receipts of Rights Offering proceeds, payments relating to the discharge of debts and other liabilities subject to compromise and the funding of the custodial and litigation trusts.

Millions of dollars

Sources of funds

Senior Secured Notes due 2017, \$2,250 million, 8.0%	\$ 2,250
Senior Secured Notes due 2017, €375 million, 8.0%	497
Senior Term Loan Facility due 2016 (\$5 million of discount)	495
Issuance of Class B shares	2,714
	5,956

Use of funds

Debtor-in-Possession Credit Agreements:	
Term Loan facility due 2010:	
New Money Loans	(2,167)
ABL Facility	(985)
Settlement with unsecured creditors	(260)
DIP exit fees	(195)
Funding of Millennium and environmental custodial trusts	(270)
Deferred financing costs	(156)
Other	(29)
	(4,062)

Net cash proceeds from reorganization	\$ 1,894
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- b. *Other assets*—Changes to other assets primarily comprise capitalized debt issuance costs resulting from the incurrence of new debt.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Fresh-Start Accounting – (Continued)

c. *Debt*—The changes in debt are summarized below:

Millions of dollars

Current maturities of senior secured credit facility settled with Class A shares:

Senior secured credit facility:

Term loan A due 2013, Dutch tranche	\$ (322)
\$1,000 million revolving credit facility	(163)
	(485)

Current maturities – New Senior Term Loan Facility due 2016

5
\$ (480)

Debtor-in-Possession Credit Agreements:

Term Loan facility due 2010:

New Money Loans	\$ (2,167)
Roll-up Loans – Senior Secured Credit Facility	(3,240)
ABL Facility	(985)
	\$ (6,392)

New long-term debt:

Senior Secured Notes due 2017, \$2,250 million, 8.0%	\$ 2,250
Senior Secured Notes due 2017, €375 million, 8.0%	497
Senior Term Loan Facility due 2016 (\$5 million of discount)	495
Senior Secured Notes due 2018, \$3,240 million, 11.0%	3,240
	6,482

Less: Current maturities

(5)

Additional long term debt:

\$ 6,477

d. *Accrued liabilities*—The net of payments and accruals related to the plan of reorganization, including the issuance of stock warrants with a fair value of \$101 million.

e. *Other liabilities*—The adjustments to other liabilities primarily reflect the Company’s agreement to continue sponsoring the pension plans previously reported as liabilities subject to compromise.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Fresh-Start Accounting – (Continued)

- f. *Liabilities subject to compromise*—The adjustment to liabilities subject to compromise reflects the discharge of liabilities subject to compromise through a series of transactions involving liabilities, equity and cash. The table below summarizes an overview of the debt discharge:

Millions of dollars

Liabilities subject to compromise	\$ 21,945
Current maturities of senior secured credit facility settled with Class A shares	485
	22,430
Issuance of Class A shares	(7,131)
Warrants	(101)
Assumption of pension plan liabilities	(854)
Settlement unsecured creditors	(300)
Loss of receivables from deconsolidated companies	(75)
Other	(352)
	\$ 13,617

Millions of dollars

Gain on discharge of liabilities subject to compromise before tax	\$ 13,617
Provision for income taxes	(1,413)
	12,204
Gain on discharge of liabilities subject to compromise after tax	12,204
Elimination of Predecessor's retained earnings	754
Retained earnings adjustment	754
	\$ 12,958

- g. *Equity*—The changes to Equity reflect LyondellBasell N.V.'s issuance of common stock.

Fresh-Start Accounting

In applying fresh-start accounting at May 1, 2010, LyondellBasell N.V. recorded the assets acquired and the liabilities assumed from LyondellBasell AF at fair value except for deferred income taxes and certain liabilities associated with employee benefits which were recorded in accordance with ASC 852 and ASC 740, respectively. The significant assumptions related to the valuations of LyondellBasell N.V.'s assets and liabilities recorded in connection with fresh-start accounting are discussed herein. All valuation inputs, with the exception of the calculation of crude oil related raw material inventories, are considered to be Level 3 inputs as they are based on significant inputs that are not observable in the market. Crude oil related raw material inventories were valued using a combination of Level 1 and 2 inputs depending on the availability of publicly available quoted market prices. For additional information on Level 1, Level 2 and Level 3 inputs, see Note 2.

- h. *Inventory*—LyondellBasell N.V. recorded inventory at its fair value of \$4,849 million, which was determined as follows:
- Finished goods were valued based on the estimated selling price of finished goods on hand less costs to sell, including disposal and holding period costs, and a reasonable profit margin on the selling and disposal effort for each specific category of finished goods being evaluated;

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Fresh-Start Accounting – (Continued)

- Work in process was valued based on the estimated selling price once completed less total costs to complete the manufacturing process, costs to sell including disposal and holding period costs, a reasonable profit margin on the remaining manufacturing, selling, and disposal effort; and
- Raw materials were valued based on current replacement cost.

Compared to amounts recorded by LyondellBasell AF, finished goods increased by \$888 million, work in process increased by \$65 million, raw materials increased by \$313 million and other inventories increased by \$31 million.

i. *Property, Plant and Equipment*—LyondellBasell N.V. recorded property, plant and equipment, which includes land, buildings and equipment, furniture and fixtures and construction in progress, at its fair value. Fair value was based on the highest and best use of the assets. LyondellBasell N.V. considered and applied two approaches to determine fair value:

- The market, sales comparison or trended cost approach was utilized for land, buildings and land improvements. This approach relies upon recent sales, offerings of similar assets or a specific inflationary adjustment to original purchase price to arrive at a probable selling price. Certain adjustments were made to reconcile differences in attributes between the comparable sales and the appraised assets.
- The cost approach was utilized for certain assets primarily consisting of LyondellBasell N.V.’s machinery and equipment. This approach considers the amount required to construct or purchase a new asset of equal utility at current prices, with adjustments in value for physical deterioration, functional obsolescence, and economic obsolescence. The machinery and equipment amounts determined under the cost approach were adjusted for functional obsolescence, which represents a loss in value due to unfavorable external conditions such as the facilities’ locality, comparative inherent technology and comparative energy efficiency. Physical deterioration is an adjustment made in the cost approach to reflect the real operating age of any individual asset. LyondellBasell N.V.’s estimated economic obsolescence is the difference between the discounted cash flows (income approach) expected to be realized from utilization of the assets as a group, compared to the initial estimate of value from the cost approach method. In the analysis, the lower of the income approach and cost approach was used to determine the fair value of machinery and equipment in each reporting segment. Where the value per reportable segment, using the income approach, exceeded the value of machinery and equipment plus separately identifiable intangible assets, goodwill was generated.

The following table summarizes the components of property, plant and equipment, net at April 30, 2010, and as a result of the application of fresh-start reporting at May 1, 2010:

<u>Millions of dollars</u>	<u>Successor</u> <u>May 1, 2010</u>	<u>Predecessor</u> <u>April 30, 2010</u>
Land	\$ 290	\$ 280
Manufacturing facilities and equipment	6,176	13,219
Construction in progress	614	1,055
Total property, plant and equipment, net	<u>\$ 7,080</u>	<u>\$ 14,554</u>

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Fresh-Start Accounting – (Continued)

- j. *Investments in PO Joint Ventures*—Investments in PO Joint Ventures were valued using the techniques described to value Property, Plant and Equipment above. The equity ownership being direct proportional share of the property, plant and equipment. The fair value of the Company’s equity interests in PO Joint Ventures is \$452 million.
- k. *Equity Investments and Other Investments and Long-term Receivables*—The equity in net assets of nonconsolidated affiliates was recorded at fair value of \$1,575 million determined using discounted cash flow analyses, and included the following assumptions and estimates:
- Forecasted cash flows, which incorporate projections of sales volumes, revenues, variable costs, fixed costs, other income and costs, and capital expenditures, after considering potential changes in unconsolidated affiliates portfolio and local market conditions;
 - A terminal value calculated for investments and long-term receivables with forecasted cash flows, not limited by contractual terms or the estimated life of the main investment asset by assuming a maintainable level of after-tax debt-free cash flow multiplied by a capitalization factor reflecting the investor’s weighted average cost of capital (“WACC”) adjusted for the estimated long-term perpetual growth rate; and
 - A discount rate ranging from 11% to 15% that considered various factors including market and country risk premiums and tax rates to determine the investor’s WACC given the assumed capital structure of comparable companies.

The aggregate fair value of equity in net assets of nonconsolidated affiliates accounted for using the equity method was \$1,524 million.

- l. *Goodwill*—LyondellBasell N.V. recorded goodwill of \$1,098 million primarily resulting from the requirement to record the tax effect of the differences for the tax and book basis of the Company’s assets and liabilities.
- m. *Intangible Assets*—LyondellBasell N.V. recorded Intangible assets at their fair values of \$1,474 million. The following is a summary of the approaches used to determine the fair value of significant intangible assets:
- LyondellBasell N.V. recorded the fair value of developed proprietary technology licensing and catalyst contracts of \$210 million using an excess earnings methodology. Significant assumptions used in the calculation included:
 - Forecasted contractual income (fees generated) for each license technology category less directly attributable marketing as well as research and development costs;
 - Discount rates of 17% based on LyondellBasell N.V.’s WACC adjusted for perceived business risks related to the developed technologies; and
 - Economic lives estimated from 4 to 9 years.
 - LyondellBasell N.V. recorded the fair value of favorable utility contracts of \$355 million using discounted cash flows. Significant assumptions used in this calculation included:
 - The forward price of natural gas;

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Fresh-Start Accounting – (Continued)

- The projected market settlement price of electricity;
 - Discount rates of 17% based on LyondellBasell N.V.’s WACC adjusted for perceived business risks; and
 - Economic lives estimated from 11 to 16 years.
- LyondellBasell N.V. recorded the fair value of \$132 million for in-process-research and development at the cost incurred to date adjusted for the probability for future marketability.
 - LyondellBasell N.V. recorded the fair value of emission allowances of \$731 million. Observed market activity for emission allowance trades is primarily generated only by legislation changes. As participants react to legislation, market trades occur as companies pursue their individual lowest cost compliance strategies. Trading, in the absence of an additional significant market participant, generally ceases once compliance is attained. As such, the Company could not identify any objective inputs based on market activity and an avoided cost of replacement methodology was used to determine estimated fair value. The significant assumptions used in valuing emission allowances include:
 - Business demand for utilization of the allowances held;
 - Engineering and construction costs required to reduce each marginal emission denomination; and
 - Development of new technologies to aid in the cost and effectiveness of compliance.
 - In addition LyondellBasell N.V. recorded other intangible assets including capitalized software and software licenses at its fair value of \$46 million.
- n. *Other Assets*—The adjustment primarily relates to the current deferred taxes and the change in the classification of precious metals to property, plant and equipment instead of other assets.
- o. *Deferred Income Taxes, Current and Non-current*—The application of fresh-start accounting on May 1, 2010 resulted in the remeasurement of deferred income tax liabilities associated with the revaluation of the company’s assets and liabilities pursuant to ASC 852. Deferred income taxes were recorded at amounts determined in accordance with ASC 740.
- p. *Other Liabilities*—The adjustment in accrued liabilities is primarily a result of the revaluation of deferred revenues based on discounted net cash outflows.
- q. *Retained Deficit*—The changes to retained deficit reflect LyondellBasell N.V.’s revaluation of the assets and liabilities of \$5,598 million recorded in “Reorganization Items” in the consolidated statement of income, net of \$2,092 million related tax adjustments.
- r. *Noncontrolling Interests*—LyondellBasell N.V. recorded the fair value of non-controlling interests which resulted in a decrease of \$58 million.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. Accounts Receivable

LyondellBasell N.V.'s accounts receivable were valued at market as part of fresh-start accounting. The Company did not record a provision for doubtful accounts during the Successor period. Accordingly, it had no allowance for doubtful accounts at June 30, 2010. LyondellBasell AF's allowance for doubtful accounts was \$109 million at December 31, 2009.

6. Inventories

Inventories consisted of the following components:

<u>Millions of dollars</u>	<u>Successor</u> <u>June 30,</u> <u>2010</u>	<u>Predecessor</u> <u>December 31</u> <u>2009</u>
Finished goods	\$ 2,817	\$ 2,073
Work-in-process	250	164
Raw materials and supplies	1,305	1,040
Total inventories	<u>\$ 4,372</u>	<u>\$ 3,277</u>

In connection with application of fresh-start accounting, LyondellBasell N.V. on May 1, 2010, recorded inventory at its fair value of \$4,849 million (see Note 4).

The Successor period includes a \$333 million non-cash charge to adjust the value of inventory at June 30, 2010 to market value, which was lower than the April 30, 2010 value applied during fresh-start accounting.

7. Property, Plant and Equipment, Goodwill and Other Assets

The components of property, plant and equipment, at cost, and the related accumulated depreciation were as follows:

<u>Millions of dollars</u>	<u>Successor</u> <u>June 30,</u> <u>2010</u>	<u>Predecessor</u> <u>December</u> <u>2009</u>
Land	\$ 278	\$ 297
Manufacturing facilities and equipment	5,955	17,665
Construction in progress	695	1,029
Total property, plant and equipment	6,928	18,991
Less accumulated depreciation	(89)	(3,839)
Property, plant and equipment, net	<u>\$ 6,839</u>	<u>\$ 15,152</u>

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

7. Property, Plant and Equipment, Goodwill and Other Assets – (Continued)

Depreciation and amortization expense is summarized as follows:

<u>Millions of dollars</u>	<u>Successor</u>	<u>Predecessor</u>			
	<u>May 1 through June 30, 2010</u>	<u>April 1 through April 30, 2010</u>	<u>January 1 through April 30, 2010</u>	<u>Three months ended June 30, 2009</u>	<u>Six months ended June 30, 2009</u>
Property, plant and equipment	\$ 94	\$ 125	\$ 499	\$ 407	\$ 778
Investment in PO joint ventures	9	4	19	15	28
Technology, patent and license costs	5	6	25	41	49
Software costs	-	3	12	3	7
Other	21	3	10	13	33
Total depreciation and amortization	<u>\$ 129</u>	<u>\$ 141</u>	<u>\$ 565</u>	<u>\$ 479</u>	<u>\$ 895</u>

In connection with application of fresh-start accounting, LyondellBasell N.V. on May 1, 2010, recorded property, plant and equipment, which includes land, buildings and equipments, furniture and fixtures and construction in progress, at its fair value of \$7,080 million (see Note 4).

On February 25, 2010, based on the continued impact of global economic conditions on polypropylene demand, LyondellBasell AF announced a project to cease production at, and permanently shut down, its polypropylene plant at Terni, Italy. LyondellBasell AF recognized charges of \$23 million related to plant and other closure costs in the first quarter of 2010. In July 2010, the plant ceased production. LyondellBasell N.V. is in consultation with representatives of the works council with respect to the consequences for approximately 120 affected employees at the site.

Cash flows used to test LyondellBasell AF's assets for impairment at April 30, 2010 were the same cash flows used in fresh-start accounting but on an undiscounted basis and did not result in an impairment of long-lived tangible and intangible assets.

The liabilities that had been recognized for all asset retirement obligations were \$134 million and \$132 million at June 30, 2010 and December 31, 2009, respectively.

LyondellBasell N.V. recorded goodwill of \$1,098 million upon application of fresh-start accounting (see Note 4). Goodwill is not amortized, but is tested for impairment annually or more frequently when indicators of impairment exist. LyondellBasell N.V. reviews the recorded value of goodwill for impairment annually during the fourth quarter, or sooner if events or changes in circumstances indicate the carrying amount may exceed fair value. Recoverability is determined by comparing the estimated fair value of a reporting unit to the carrying value, including the related goodwill, of that reporting unit. LyondellBasell N.V. uses the present value of expected net cash flows to determine the estimated fair value of the reporting units. The impairment test requires LyondellBasell N.V. to make cash flow assumptions including, among other things, future margins, volumes, operating costs, capital expenditures, growth rates and discount rates. LyondellBasell N.V.'s assumptions regarding future margins and volumes require significant judgment as actual margins and volumes have fluctuated in the past and will likely continue to do so.

In connection with application of fresh-start accounting, LyondellBasell N.V. on May 1, 2010, recorded Intangible assets at their fair values of \$1,474 million (see Note 4).

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

7. Property, Plant and Equipment, Goodwill and Other Assets – (Continued)

The components of identifiable intangible assets, at cost, and the related accumulated amortization were as follows:

<u>Millions of dollars</u>	<u>Successor</u>			<u>Predecessor</u>		
	<u>June 30, 2010</u>			<u>December 31, 2009</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
In-process research and development costs	\$ 123	\$ (2)	\$ 121	\$ --	\$ --	\$ --
Technology, patent and license costs	--	--	--	1,021	(338)	683
Emission allowances	731	(12)	719	733	(62)	671
Various contracts	545	(8)	537	350	(118)	232
Debt issuance costs	--	--	--	598	(477)	121
Software costs	52	(2)	50	71	(6)	65
Catalyst costs	--	--	--	127	(89)	38
Other	--	--	--	111	(60)	51
Total intangible assets	<u>\$1,451</u>	<u>\$ (24)</u>	<u>\$1,427</u>	<u>\$3,011</u>	<u>\$ (1,150)</u>	<u>\$1,861</u>

The components of other assets were as follows:

<u>Millions of dollars</u>	<u>Successor</u>	<u>Predecessor</u>
	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Precious metals	\$ --	\$ 90
Debt issuance costs	157	--
Company-owned life insurance	60	52
Pension assets	--	19
Deferred tax assets	--	115
Other	40	87
Total other assets	<u>\$ 257</u>	<u>\$ 363</u>

8. Investment in PO Joint Ventures

LyondellBasell N.V., together with Bayer AG and Bayer Corporation (collectively “Bayer”), share ownership in a U.S. propylene oxide (“PO”) manufacturing joint venture (the “U.S. PO Joint Venture”) and a separate joint venture for certain related PO technology. Bayer’s ownership interest represents ownership of annual in-kind PO production of the U.S. PO Joint Venture of 1.5 billion pounds in 2009. LyondellBasell N.V. takes in-kind the remaining PO production and all co-products styrene monomer (“SM” or “styrene”), and tertiary butyl ether (“TBA”) production from the U.S. PO Joint Venture.

In addition, LyondellBasell N.V. and Bayer each have a 50% interest in a separate manufacturing joint venture (the “European PO Joint Venture”), which includes a world-scale PO/SM plant at Maasvlakte near Rotterdam, The Netherlands. LyondellBasell N.V. and Bayer each are entitled to 50% of the PO and SM production at the European PO Joint Venture.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

8. Investment in PO Joint Ventures – (Continued)

Changes in the investment in the U.S. and European PO joint ventures for 2010 and 2009 are summarized as follows:

<u>Millions of dollars</u>	<u>U.S. PO Joint Venture</u>	<u>European PO Joint Venture</u>	<u>Total PO Joint Ventures</u>
Successor			
Investment in PO joint ventures – May 1, 2010	\$ 303	\$ 149	\$ 452
Cash contributions (return of investment)	--	1	1
Depreciation and amortization	(6)	(3)	(9)
Effect of exchange rate changes	--	(10)	(10)
Investment in PO joint ventures – June 30, 2010	<u>\$ 297</u>	<u>\$ 137</u>	<u>\$ 434</u>
Predecessor			
Investment in PO joint ventures – January 1, 2010	\$ 533	\$ 389	\$ 922
Cash contributions (return of investment)	--	(5)	(5)
Depreciation and amortization	(14)	(5)	(19)
Effect of exchange rate changes	--	(31)	(31)
Investment in PO joint ventures – April 30, 2010	<u>\$ 519</u>	<u>\$ 348</u>	<u>\$ 867</u>
Investment in PO joint ventures – January 1, 2009	\$ 562	\$ 392	\$ 954
Cash contributions	11	(6)	5
Depreciation and amortization	(20)	(8)	(28)
Effect of exchange rate changes	--	3	3
Investment in PO joint ventures – June 30, 2009	<u>\$ 553</u>	<u>\$ 381</u>	<u>\$ 934</u>

In connection with application of fresh-start accounting, LyondellBasell N.V. on May 1, 2010, LyondellBasell N.V.'s equity interests in PO joint ventures were valued at its fair value of \$452 million (see Note 4).

9. Equity Investments

The changes in equity investments were as follows:

<u>Millions of dollars</u>	<u>Successor</u>	<u>Predecessor</u>	
	<u>May 1 through June 30, 2010</u>	<u>January 1 through April 30, 2010</u>	<u>Six months ended June 30, 2009</u>
Beginning balance	\$ 1,524	\$ 1,085	\$ 1,215
Income (loss) from equity investments	27	84	2
Dividends received	(28)	(18)	(9)
Contributions to joint venture	7	20	--
Currency exchange effects	(23)	(8)	(5)
Other	--	10	3
Ending balance	<u>\$ 1,507</u>	<u>\$ 1,173</u>	<u>\$ 1,206</u>

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

9. Equity Investments – (Continued)

Summarized balance sheet information and the Company's share of equity investments were as follows:

<u>Millions of dollars</u>	<u>Successor</u>		<u>Predecessor</u>	
	<u>June 30, 2010</u>		<u>December 31, 2009</u>	
	<u>100%</u>	<u>Company Share</u>	<u>100%</u>	<u>Company Share</u>
Current assets	\$ 3,488	\$ 1,210	\$ 2,760	\$ 1,016
Noncurrent assets	6,748	2,127	6,887	2,172
Total assets	10,236	3,337	9,647	3,188
Current liabilities	2,335	835	1,881	695
Noncurrent liabilities	4,007	1,114	4,207	1,180
Net assets	<u>\$ 3,894</u>	<u>\$ 1,388</u>	<u>\$ 3,559</u>	<u>\$ 1,313</u>

Summarized income statement information and the Company's share for the periods for which the respective equity investments were accounted for under the equity method is set forth below:

<u>Millions of dollars</u>	<u>Successor</u>		<u>Predecessor</u>			
	<u>For the period</u>		<u>For the period</u>		<u>For the</u>	
	<u>May 1</u>		<u>April 1</u>		<u>three months</u>	
	<u>through</u>		<u>through</u>		<u>ended</u>	
	<u>June 30, 2010</u>		<u>April 30, 2010</u>		<u>June 30, 2009</u>	
	<u>100%</u>	<u>Company Share</u>	<u>100%</u>	<u>Company Share</u>	<u>100%</u>	<u>Company Share</u>
Revenues	\$ 1,382	\$ 553	\$ 789	\$ 245	\$ 1,420	\$ 426
Cost of sales	(1,222)	(485)	(664)	(216)	(1,396)	(396)
Gross profit	160	68	125	29	24	30
Net operating expenses	(63)	(22)	(19)	(8)	(67)	4
Operating profit (loss)	97	46	106	21	(43)	34
Interest income	2	-	(5)	(2)	2	-
Interest expense	(21)	(6)	(6)	(1)	(18)	(6)
Foreign currency translation	42	6	61	14	17	7
Income from equity investments	(59)	(17)	2	2	4	-
Income (loss) before income taxes	61	29	158	34	(38)	35
Provision for income taxes	1	(2)	(16)	(5)	(36)	(13)
Net income (loss)	<u>\$ 62</u>	<u>\$ 27</u>	<u>\$ 142</u>	<u>\$ 29</u>	<u>\$ (74)</u>	<u>\$ 22</u>

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

9. Equity Investments – (Continued)

<u>Millions of dollars</u>	Predecessor			
	For the period January 1 through April 30, 2010		For the six months ended June 30, 2009	
	100%	Company Share	100%	Company Share
Revenues	\$ 3,127	\$ 989	\$ 2,646	\$ 849
Cost of sales	(2,699)	(869)	(2,506)	(786)
Gross profit	428	120	140	63
Net operating expenses	(82)	(29)	(141)	(26)
Operating profit	346	91	(1)	37
Interest income	2	1	4	--
Interest expense	(43)	(13)	(34)	(13)
Foreign currency translation	83	24	(28)	(14)
Income from equity investments	3	2	6	--
Income (loss) before income taxes	391	105	(53)	10
Provision for income taxes	(67)	(21)	(27)	(8)
Net income (loss)	\$ 324	\$ 84	\$ (80)	\$ 2

In connection with application of fresh-start accounting, LyondellBasell N.V. on May 1, 2010, recorded equity investments at its fair value of \$1,524 million (see Note 4). The carrying value of the Company's equity investments at June 30, 2010 of \$1,507 million reflects the 2010 aggregate fair value adjustment which is different than the Company's share of its equity investment in the underlying assets of \$1,388 million. In 2009, the Company recognized pretax impairment charges totaling \$228 million for impairment of the carrying value of its investments in certain joint ventures.

A joint venture of LyondellBasell N.V. is in default under its financing arrangement due to a delay in the start-up of its assets and as a result of LyondellBasell AF's voluntary filing for relief under chapter 11 of the U.S. Bankruptcy Code on April 24, 2009. The parties are currently negotiating in good faith to resolve the default and at present there is no evidence that such negotiations will not be concluded successfully or that the resolution of this matter will have a material adverse impact on LyondellBasell N.V.'s operations or liquidity.

10. Accounts Payable

Accounts payable at June 30, 2010 and December 31, 2009 included liabilities in the amount of \$19 million and \$13 million, respectively, for checks issued in excess of associated bank balances, but not yet presented for collection.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

11. Debt

Long-term loans, notes and other long-term debt due to banks and other unrelated parties consisted of the following:

<u>Millions of dollars</u>	<u>Successor</u> <u>June 30,</u> <u>2010</u>	<u>Predecessor</u> <u>December 31,</u> <u>2009</u>
Bank credit facilities:		
Senior Term Loan Facility due 2016 (\$5 million of discount)	\$ 495	\$ --
Senior secured credit facility:		
Term loan A due 2013 – Dutch tranche	--	331
\$1,000 million revolving credit facility	--	164
Senior Secured Notes due 2017, \$2,250 million, 8.0%	2,250	--
Senior Secured Notes due 2017, €375 million, 8.0%	461	--
Senior Secured Notes due 2018, \$3,240 million, 11.0%	3,240	--
Guaranteed Notes, due 2027	300	300
Other	7	7
Total	<u>6,753</u>	<u>802</u>
Less current maturities	(8)	(497)
Long-term debt	<u>\$ 6,745</u>	<u>\$ 305</u>

Short-term loans, notes and other short-term debt due to banks and other unrelated parties consisted of the following:

<u>Millions of dollars</u>	<u>Successor</u> <u>June 30,</u> <u>2010</u>	<u>Predecessor</u> <u>December 31,</u> <u>2009</u>
Bank credit facilities:		
\$1,750 million Senior Secured Asset-Based Credit Facility	\$ --	\$ --
Debtor-in-Possession Credit Agreements:		
Term Loan facility due 2010:		
New Money Loans	--	2,167
Roll-up Loans – Senior Secured Credit Facility:		
Term Loan A due 2013 – U.S. tranche	--	385
Term Loan A due 2013 – Dutch tranche	--	122
Term Loan B due 2014 – U.S. tranche	--	2,012
Term Loan B due 2014 – German tranche	--	465
Revolving Credit Facility – U.S. tranche	--	202
Revolving Credit Facility – Dutch tranche	--	54
ABL Facility	--	325
Receivables securitization program	503	377
Accounts receivable factoring facility	11	24
Financial payables to equity investees	9	12
Other	34	37
Total short-term debt	<u>\$ 557</u>	<u>\$ 6,182</u>

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

11. Debt – (Continued)

On April 8, 2010, LBI Escrow issued \$2,250 million of 8% senior secured notes due 2017 and €375 million of senior secured notes due 2017, (collectively, the “Senior Secured Notes”). Also on April 8, 2010, LBI Escrow entered into a six-year, \$500 million senior term loan facility (the “Senior Term Loan Facility”) and borrowed \$500 million thereunder. LyondellBasell Industries N.V. paid fees of \$72 million related to the issuance of these facilities. On April 30, 2010, Lyondell Chemical was merged with and replaced LBI Escrow as issuer of the Senior Secured Notes and borrower under the Senior Term Loan Facility.

On April 8, 2010, Lyondell Chemical completed the financing of a new \$1,750 million U.S. asset-based facility (“U.S. ABL facility”), which may be used for advances or to issue up to \$700 million of letters of credit. Lyondell Chemical paid fees of \$70 million related to the completion of this financing. At June 30, 2010, there were no borrowings outstanding under the U.S. ABL facility and outstanding letters of credit totaled \$526 million. Pursuant to the U.S. ABL facility, Lyondell Chemical could, subject to a borrowing base borrow up to \$1,224 million. The borrowing base was determined using formulae applied to accounts receivable and inventory balances, and was reduced to the extent of outstanding letters of credit under the facility. Advances under this new facility are available to Lyondell Chemical, Equistar Chemicals LP (“Equistar”), Houston Refining LP, or LyondellBasell Acetyls LLC as of April 30, 2010.

Consistent with the terms of the Plan of Reorganization, on the Emergence Date, Lyondell Chemical issued Plan Roll-up Notes under an indenture of approximately \$3,240 million replacing the DIP roll-up loans incurred under the Bankruptcy Cases as part of the DIP Term Loan Facility.

On April 30, 2010, in accordance with provisions in the Plan of Reorganization, payments totaling \$2,362 million were made to repay, in full, the \$2,167 million outstanding under the DIP Term Loan Facility and a related \$195 million exit fee. The outstanding amount of \$985 million under the DIP ABL Facility was also repaid on April 30, 2010. In addition, \$18,310 million of debt classified as liabilities subject to compromise was discharged pursuant to the Plan of Reorganization (see Note 4).

Receivables securitization programs—The Company had an accounts receivable securitization program under which it could receive funding of up to €450 million against eligible receivables of certain European subsidiaries. Transfers of accounts receivable under this program did not qualify as sales; therefore, the transferred accounts receivable and the proceeds received through such transfers were included in trade receivables, net, and short-term debt in the Consolidated Balance Sheets. This facility was refinanced, in full, on May 4, 2010 and replaced with a new European securitization facility.

Accounts Receivable Factoring Facility—On October 8, 2009, the Company entered into an accounts receivable factoring facility for up to €100 million. The factoring facility is for an indefinite period, non-recourse, unsecured and terminable by either party subject to notice. The amount of outstanding receivables sold under this facility was \$11 million as of June 30, 2010.

Senior Secured Notes—The Senior Secured Notes are jointly and severally, and fully and unconditionally guaranteed by LyondellBasell N.V. and, subject to certain exceptions, each existing and future wholly owned U.S. restricted subsidiary of LyondellBasell N.V. (other than Lyondell Chemical, as issuer), other than any such subsidiary that is a subsidiary of a non-U.S. subsidiary (the “Subsidiary Guarantors” and, together with LyondellBasell N.V., the “Guarantors”).

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

11. Debt – (Continued)

The Senior Secured Notes rank equally in right of payment with all existing and future senior debt of Lyondell Chemical and the Guarantors, except that the notes and guarantees rank junior to obligations of LyondellBasell N.V. subsidiaries that do not guarantee the Senior Secured Notes.

The Senior Secured Notes and guarantees are secured by:

- a first priority lien on substantially all of Lyondell Chemical's and the Subsidiary Guarantors' existing and future property and assets other than the assets securing the U.S. ABL Facility;
- a first priority lien on the capital stock of all Guarantors (other than any such subsidiary that is a subsidiary of a non-U.S. subsidiary);
- a first priority lien on 65% of the capital stock and 100% of the non-voting capital stock of the first-tier non-U.S. subsidiaries of Lyondell Chemical or of LyondellBasell N.V.;
- a second-priority lien on the accounts receivables, inventory, related contracts and other rights and assets related to the foregoing and proceeds thereof that secure the U.S. ABL Facility on a first priority basis;
- subject, in each case, to certain exceptions, including permitted liens.

The Senior Secured Notes are redeemable by Lyondell Chemical prior to maturity at certain specified redemption premiums, depending on when the notes are redeemed.

The Senior Secured Notes contains covenants, subject to certain restrictions, that restrict, among other things, debt and lien incurrences; investments; certain restricted payments; sales of assets and mergers; and affiliate transactions.

Several of the restrictive covenants would be suspended if LyondellBasell N.V. receives an investment grade rating from two rating agencies. The Senior Secured Notes do not require LyondellBasell N.V. to maintain compliance with any specific financial covenants.

Senior Term Loan Facility—Borrowings under the Senior Term Loan Facility will bear interest at either (a) a LIBOR rate adjusted for certain additional costs or (b) a base rate determined by reference to the highest of the administrative agent's prime rate, the federal funds effective rate plus 0.5%, or one-month LIBOR plus 1.0% (the "Base Rate"), in each case plus an applicable margin.

The Senior Term Loan is guaranteed, jointly and severally, and fully and unconditionally, on a senior secured basis, initially by the Guarantors. Subject to permitted liens and other exceptions, Lyondell Chemical's obligations and guarantees will be secured on a pari passu basis with the Senior Secured Notes by perfected first priority security interests in the collateral securing the Senior Secured Notes and by a second priority security interest in the collateral securing the ABL Facility described below.

The Senior Term Loan Facility contains covenants that are substantially similar to the Senior Secured Notes. The Senior Term Loan Facility does not require LyondellBasell N.V. to maintain compliance with any specific financial covenants.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

11. Debt – (Continued)

U.S. ABL Facility—On April 8, 2010, LyondellBasell N.V. entered into a \$1,750 million U.S. asset-based lending facility. Borrowings under the U.S. ABL Facility bear interest at the Base Rate or LIBOR, plus an applicable margin, and the lenders are paid a commitment fee on the average daily unused commitments.

Obligations under the U.S. ABL Facility are guaranteed jointly and severally, and fully and unconditionally, on a senior secured basis, by the Guarantors (except, in the case of any Guarantor that is a borrower under the facility, to the extent of its own obligations in its capacity as a borrower). The borrowers' obligations under the U.S. ABL Facility and the related guarantees are secured by (i) a first priority perfected lien on all present and after-acquired inventory, accounts receivable, related contracts and other rights, deposit accounts into which proceeds of the foregoing are credited and books and records related thereto, together with all proceeds of the foregoing, in each case to the extent the rights, title and interest therein of any ABL borrowers and (ii) a second priority perfected lien on the Senior Secured Notes and Senior Term Loan collateral.

Mandatory prepayments of the loans under the U.S. ABL Facility will be made from net cash proceeds from certain sales of collateral securing the facility and insurance and condemnation awards involving the facility.

The U.S. ABL contains covenants that are substantially similar to the Senior Secured Notes.

In addition, in the event the excess availability under the U.S. ABL Facility falls below \$300 million for five consecutive business days or below \$250 million on any business day, LyondellBasell N.V. is required to comply with a minimum fixed charge coverage ratio of not less than 1.00 to 1.00, measured quarterly. The fixed charge coverage ratio is defined in the facility generally as the ratio of earnings before interest, taxes, depreciation and amortization ("EBITDA") to consolidated interest expense plus dividends on preferred or other preferential stock. The availability under the U.S. ABL Facility was \$1,224 million as of June 30, 2010.

Plan Roll-Up Notes—On April 30, 2010, Lyondell Chemical issued \$3,240 million of 11% Senior Secured roll-up notes due 2018 (the "Plan Roll-up Notes") in exchange for roll-up loans incurred under the Bankruptcy Cases. The Plan Roll-up Notes are guaranteed by the same Guarantors that support the Senior Secured Notes, the Senior Term Loan Facility and the U.S. ABL Facility.

The Plan Roll-up Notes are secured by the same security package as the Senior Secured Notes, the Senior Term Loan Facility and the U.S. ABL Facility on a third-priority basis and bear interest at a rate equal to 11%.

Other—In the two months ended June 30, 2010, amortization of debt premiums and debt issuance costs resulted in amortization expense of \$5 million that was included in interest expense in the Consolidated Statements of Income.

Contractual interest was \$236 million and \$914 million for the one and four-month periods ended April 30, 2010, respectively; and \$693 million and \$1,303 million for the three and six months ended June 30, 2009, respectively.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Financial Instruments and Derivatives

Cash Concentration—The majority of the Company’s cash is held with a reputable financial institution with a credit rating for short-term deposits of A-1 as report by Standard & Poors.

LyondellBasell N.V. is exposed to market risks, such as changes in commodity pricing, currency exchange rates and interest rates. To manage the volatility related to these exposures, LyondellBasell N.V. selectively enters into derivative transactions pursuant to LyondellBasell N.V.’s policies. Designation of the derivatives as fair-value or cash-flow hedges is performed on a specific exposure basis. Hedge accounting may or may not be elected with respect to certain short-term exposures. The changes in fair value of these hedging instruments will be offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged.

Commodity Prices—LyondellBasell N.V. is exposed to commodity price volatility related to anticipated purchases of natural gas, crude oil and other raw materials and sales of its products. LyondellBasell N.V. selectively uses commodity swap, option, and futures contracts with various terms to manage the volatility related to these risks. Such contracts are generally limited to durations of one year or less. Cash-flow hedge accounting is normally elected for these derivative transactions; however, in some cases, when the duration of a derivative is short, hedge accounting is not elected. When hedge accounting is not elected, the changes in fair value of these instruments will be recorded in earnings. When hedge accounting is elected, gains and losses on these instruments will be deferred in accumulated other comprehensive income (“AOCI”), to the extent that the hedge remains effective, until the underlying transaction is recognized in earnings.

The Company entered into futures contracts during the first six months of 2010 and 2009, with respect to sales of gasoline and heating oil. These futures transactions were not designated as hedges, and the changes in the fair value of the futures contracts were recognized in earnings. LyondellBasell N.V. settled futures positions for gasoline of 69 million gallons in the two months ended June 30, 2010, resulting in a net loss of \$4 million. LyondellBasell N.V. settled futures positions for heating oil of 59 million gallons in the two months ended June 30, 2010, resulting in a net loss of less than \$1 million. At June 30, 2010, futures contracts for 39 million gallons of gasoline and heating oil in the notional amount of \$78 million, maturing in July 2010, were outstanding. The fair values, based on quoted market prices, resulted in a net payable of \$1 million at June 30, 2010.

In addition, LyondellBasell N.V. settled futures positions for crude oil of 2 million barrels during the two months ended June 30, 2010, resulting in net gains of \$1 million. At June 30, 2010, futures contracts for less than 1 million barrels of crude oil in the notional amount of \$8 million, maturing in July 2010, were outstanding. The fair values, based on quoted market prices, resulted in net receivables of \$1 million at June 30, 2010. These futures transactions were not designated as hedges.

LyondellBasell N.V. also entered into futures contracts during the two months ended June 30, 2010 with respect to purchases of crude oil and sales of gasoline. These futures transactions were not designated as hedges. LyondellBasell N.V. settled futures positions for gasoline of 1 million barrels in the two months ended June 30, 2010, resulting in a net gain of \$5 million. LyondellBasell N.V. settled futures positions for crude oil of 1 million barrels in the two months ended June 30, 2010, resulting in a net loss of \$7 million.

Foreign Currency Rates—LyondellBasell N.V. enters into transactions denominated in other than the functional currency and is, therefore, exposed to foreign currency risk on receivables and payables. LyondellBasell N.V. maintains risk management control systems intended to monitor foreign currency risk attributable to both the outstanding foreign currency balances and future commitments. The risk management control systems 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 LyondellBasell N.V.’s earnings.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Financial Instruments and Derivatives – (Continued)

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

Foreign Currency Gain (Loss)—Other income, net, in the Consolidated Statements of Income reflected: a gain of \$40 million in the two months ended June 30, 2010; losses of \$54 million and \$258 million in the one and four months ended April 30, 2010, respectively, and; gains of \$74 million and \$89 million for the three and six months ended June 30, 2009, respectively, related to changes in currency exchange rates.

Interest Rates—Pursuant to the provisions of the Plan of Reorganization, the \$201 million liability associated with interest rate swaps designated as cash flow hedges in the notional amount of \$2,350 million were discharged on April 30, 2010. The Company discontinued accounting for the interest rate swap as a hedge and, in April 2010, \$153 million of unamortized loss was released from accumulated other comprehensive income and recognized in earnings.

Warrants—As of June 30, 2010, LyondellBasell N.V. has issued and has outstanding warrants to purchase 11,508,204 class A shares at an exercise price of \$15.90 per class A share. The warrants have anti-dilution protection for in-kind stock dividends, stock splits, stock combinations and similar transactions and may be exercised at any time during the period beginning on April 30, 2010 and ending at the close of business on the seventh anniversary of the issue date. Upon an affiliate change of control, the holders of the warrants may put the warrants to LyondellBasell N.V. at a price equal to, as applicable, the in-the-money value of the warrants or the Black-Scholes value of the warrants.

The fair value of each warrant granted is estimated on the date of grant using a Black-Scholes option-pricing model and assumptions, based on management's best estimate. The following inputs have been used to value the warrants:

Fair value of warrants issued	\$ 7.32
Fair value assumptions:	
Strike price	\$ 15.90
Stock price at June 30, 2010	\$ 16.15
Expected term in years	6.8
Volatility of warrants price-based on historical average of peers	40%
Risk-free interest rate	2.41%

Management estimated volatility based on the historical average of similar instruments issued by peer companies and the historical price volatility of those similar instruments over the expected term. The fair values of the warrants were determined to be \$84 million and \$101 million at June 30, 2010 and at April 30, 2010, respectively.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Financial Instruments and Derivatives – (Continued)

The following table summarizes financial instruments outstanding as of June 30, 2010 and December 31, 2009 that are measured at fair value on a recurring basis and the bases used to determine their fair value in the consolidated balance sheets:

<u>Millions of dollars</u>	<u>Notional Amount</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Successor					
June 30, 2010					
Assets at fair value:					
Derivatives:					
Crude oil	\$ 8	\$ 1	\$ --	\$ 1	\$ --
Liabilities at fair value:					
Derivatives:					
Warrants	\$ 183	\$ 84	\$ --	\$ --	\$ 84
Gasoline and heating oil	78	1	--	1	--
	<u>\$ 261</u>	<u>\$ 85</u>	<u>\$ --</u>	<u>\$ 1</u>	<u>\$ 84</u>
Predecessor					
December 31, 2009					
Liabilities at fair value:					
Derivatives:					
Gasoline, heating oil and crude oil	\$ 38	\$ 2	\$ --	\$ 2	\$ --
Foreign currency	234	20	--	20	--
	<u>\$ 272</u>	<u>\$ 22</u>	<u>\$ --</u>	<u>\$ 22</u>	<u>\$ --</u>

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Financial Instruments and Derivatives – (Continued)

The following table provides the fair value of derivative instruments and their balance sheet classifications at June 30, 2010:

<u>Millions of Dollars</u>	<u>Balance Sheet Classification</u>	
<u>Successor</u>		
Fair Value of Derivative Instruments		
Asset Derivatives		
Not designated as hedges:		
Commodities	Prepaid expenses and other current assets	\$ 1
Liability Derivatives		
Not designated as hedges:		
Warrants	Other liabilities	\$ 84
Commodities	Accrued liabilities	1
		\$ 85

The following table summarizes the pretax effect of derivative and non-derivative instruments charged directly to income:

<u>Millions of dollars</u>	<u>Effect of Financial Instruments</u>			<u>Income Statement Classification</u>
	<u>Gain (Loss) Recognized in AOCI</u>	<u>Gain (Loss) Reclassified from AOCI to Income</u>	<u>Additional Gain (Loss) Recognized in Income</u>	
<u>Successor</u>				
For the period May 1 through June 30, 2010:				
Derivatives not designated as hedges:				
Warrants	\$ --	\$ --	\$ 17	Other income (expense), net
Commodities	--	--	(5)	Cost of sales
	\$ --	\$ --	\$ 12	

The carrying value and the estimated fair value of the Company's non-derivative financial instruments are shown in the table below:

<u>Millions of dollars</u>	<u>Successor</u>		<u>Predecessor</u>	
	<u>June 30, 2010</u>		<u>December 31, 2009</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Short and long-term debt, including current maturities and debt classified as liabilities subject to compromise	\$ 7,310	\$ 7,562	\$ 25,354	\$ 13,986

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Financial Instruments and Derivatives – (Continued)

The following table summarizes the bases used to measure certain liabilities at fair value on a recurring basis, which are recorded at historical cost or amortized cost, in the consolidated balance sheet:

	Successor	Fair Value Measurement			
	Carrying Value June 30, 2010	Fair Value June 30, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Millions of dollars					
Short and long-term debt, including current maturities	\$ 7,310	\$ 7,562	\$ --	\$ 6,998	\$ 564

The fair value of all nonderivative financial instruments included in current assets, including cash and cash equivalents, accounts receivable and accounts payable, approximated carrying value due to the short maturity of those instruments.

The following table is a reconciliation of the beginning and ending balances of Level 2 and Level 3 inputs:

Millions of dollars	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)
Debt and warrants		
Balance at May 1, 2010	\$ 6,758	\$ 558
Purchases, sales, issuances, and settlements (net)	--	138
Total gains or losses (realized/unrealized)	240	(48)
Balance at June 30, 2010	\$ 6,998	\$ 648

For liabilities classified as Level 2, fair value is based on the price a market participant would pay for the security, adjusted for the terms specific to that asset and liability. Broker quotes were obtained from well established and recognized vendors of market data for debt valuations. The inputs for liabilities classified as Level 3 reflect LyondellBasell N.V.'s assessment of the assumptions that a market participant would use in determining the price of the asset or liability, including the liquidity risk of LyondellBasell N.V. at June 30, 2010.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

13. Pension and Other Postretirement Benefits

Net periodic pension benefits included the following cost components:

	U.S. Plans				
	Successor	Predecessor			
	For the period May 1 through June 30, 2010	For the period April 1 through April 30, 2010	For the period January 1 through April 30, 2010	For the Three months ended June 30, 2009	For the six months ended June 30, 2009
Millions of dollars					
Service cost	\$ 7	\$ 4	\$ 15	\$ 15	\$ 26
Interest cost	16	8	31	23	46
Expected return on plan assets	(15)	(7)	(31)	(21)	(46)
Amortization	--	--	3	3	6
Net periodic pension benefit cost	<u>\$ 8</u>	<u>\$ 5</u>	<u>\$ 18</u>	<u>\$ 20</u>	<u>\$ 32</u>

	Non-U.S. Plans				
	Successor	Predecessor			
	For the period May 1 through June 30, 2010	For the period April 1 through April 30, 2010	For the period January 1 through April 30, 2010	For the Three months ended June 30, 2009	For the six months ended June 30, 2009
Millions of dollars					
Service cost	\$ 4	\$ --	\$ 9	\$ 7	\$ 17
Interest cost	9	4	17	9	31
Expected return on plan assets	(5)	(3)	(10)	(8)	(21)
Amortization	--	1	1	--	--
Net periodic pension benefit cost	<u>\$ 8</u>	<u>\$ 2</u>	<u>\$ 17</u>	<u>\$ 8</u>	<u>\$ 27</u>

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

13. Pension and Other Postretirement Benefits – (Continued)

Net periodic other postretirement benefits included the following cost components:

	U.S. Plans				
	Successor	Predecessor			
		For the period May 1 through June 30, 2010	For the period April 1 through April 30, 2010	For the period January 1 through April 30, 2010	For the three months ended June 30, 2009
Millions of dollars					
Service cost	\$ 1	\$ 1	\$ 2	\$ 1	\$ 3
Interest cost	3	1	5	4	9
Amortization	--	(1)	(3)	(3)	(5)
Net periodic benefit cost	\$ 4	\$ 1	\$ 4	\$ 2	\$ 7

	Non-U.S. Plans				
	Successor	Predecessor			
		For the period May 1 through June 30, 2010	For the period April 1 through April 30, 2010	For the period January 1 through April 30, 2010	For the three months ended June 30, 2009
Millions of dollars					
Service cost	\$ --	\$ --	\$ --	\$ 2	\$ 4
Interest cost	--	1	1	1	1
Net periodic benefit cost	\$ --	\$ 1	\$ 1	\$ 3	\$ 5

Under the Plan of Reorganization, except with respect to the Supplemental Executive Retirement Plan (the “SERP”), all benefit plans and collective bargaining agreements remained in force subsequent to the Company’s emergence from chapter 11 proceedings. Accordingly, approximately \$854 million of pension and other post-retirement benefit liabilities were reclassified from liabilities subject to compromise to current or long-term liabilities, as appropriate, upon emergence from bankruptcy (see Note 4).

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

14. Incentive and Share-Based Compensation

Medium-Term Incentive Plan—Upon emergence from chapter 11 proceedings, LyondellBasell N.V. replaced its Management Incentive Plan with the 2010 Medium-Term Incentive Plan (“MTI”). The MTI is designed to link the interests of senior management with the interests of shareholders by tying incentives to measurable corporate performance. The MTI provides for payouts based on LyondellBasell N.V.’s return on assets and cost improvements over the calendar years 2010 through 2012. Benefits under the MTI will vest on the date, following December 31, 2012, on which the Compensation Committee of the Supervisory Board certifies the performance results and will be paid on March 31 following the end of the performance cycle. The MTI provides for an accelerated pro-rata payout in the event of a change in control of the company. Accordingly, \$1 million of compensation expense was recorded for the two months ended June 30, 2010.

Long-Term Incentive Plan— Upon emergence from chapter 11 proceedings, LyondellBasell N.V. created the 2010 Long-Term Incentive Plan (“LTI”). The LTI is a plan under which certain executives and senior management can become shareholders, thereby aligning their interests with shareholders. Under the LTI, LyondellBasell N.V.’s Compensation Committee is authorized to grant restricted stock, restricted stock units, stock options, stock appreciation rights and other types of equity-based awards. The Compensation Committee determines the recipients of the equity awards, the type of award made, the required performance measures, and the timing and duration of each grant. The maximum number of shares of LyondellBasell N.V. stock reserved for issuance under the LTI is 22,000,000, with 10,049,911 remaining shares as of June 30, 2010. In connection with the Company’s emergence from bankruptcy, awards were granted to members of the Company’s senior management.

The LTI awards resulted in compensation expense of \$5 million for the two months ended June 30, 2010 and \$24 million for the one month ended April 30, 2010. The tax benefits were \$2 million for the two months ended June 30, 2010 and \$8 million for the one month ended April 30, 2010.

Restricted Stock Units—Under the LTI, members of senior management were granted restricted stock units, which entitle the recipient to be paid out an equal number of Class A shares if vesting requirements are met. These restricted stock units vest in full at the fifth anniversary of the grant date. Restricted stock units are accounted for as an equity award with compensation cost recognized ratably over the vesting period.

The following table summarizes restricted stock unit activity for the two months ended June 30, 2010 in thousands of units:

	Number of Units	Weighted- average price
Outstanding at May 1, 2010	--	\$ --
Granted	1,812	17.60
Paid	--	--
Forfeited	--	--
Outstanding at June 30, 2010	1,812	\$ 17.60

For the two months ended June 30, 2010, the compensation expense related to the outstanding restricted stock units was \$1 million and the related tax benefit was less than \$1 million. As of June 30, 2010, the unrecognized compensation cost related to restricted stock units was \$30 million, which is expected to be recognized over a weighted-average period of 5 years.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

14. Incentive and Share-Based Compensation – (Continued)

Stock Options—Stock options are granted with an exercise price equal to the market price of the stock at the date of grant. The stock options are accounted for as an equity award with compensation cost recognized using the graded vesting method. Stock options equal to 1% of the number of common stock shares outstanding at the Debtor's emergence from bankruptcy, vest and become exercisable in five equal, annual installments beginning on May 14, 2010. Vesting is contingent upon employment through each applicable vesting date. These stock options may be exercised for a period of seven years following the grant date at a price of \$17.61 per share, the fair value of the company's common stock based on its reorganized value at the date of emergence. All other stock options vest on the second, third and fourth anniversary of the grant date, have a contractual term of ten years and vest at a rate of one-third per year beginning the second anniversary of the date of grant over three years, with accelerated vesting upon death, disability, or change in control.

The fair value of each stock option award is estimated, based on several assumptions, on the date of grant using the Black-Scholes option valuation model. Upon adoption of ASC 718 *Stock Compensation*, Lyondellbasell N.V. modified its methods used to determine these assumptions based on the Securities and Exchange Commission's Staff Accounting Bulletin No. 107. Management estimated volatility based on the historic average of the common stock of its peer companies and the historic stock price volatility over the expected term. The fair value and the assumptions used for the 2010 grants are shown in the table below.

Weighted-average Fair Value per share of options granted	\$ 7.78
Fair value assumptions:	
Dividend yield	0.00%
Expected volatility	47.0%
Risk-free interest rate	2.18-2.94%
Weighted-average expected term, in years	5.2

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

14. Incentive and Share-Based Compensation – (Continued)

The following table summarizes stock option activity for the four months ended April 30, 2010 and the two months ended June 30, 2010 in thousands of shares for the non-qualified stock options:

<u>Predecessor</u>	<u>Shares</u>	<u>Weighted-Average Price</u>	<u>Weighted-Average Remaining Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at January 1, 2010	--	\$ --		
Granted	5,639	17.61	7.0 years	
Exercised	--	--		
Outstanding at April 30, 2010	<u>5,639</u>	<u>\$ 17.61</u>	7.0 years	<u>\$ --</u>
Exercisable at April 30, 2010	<u>--</u>	<u>\$ --</u>		<u>\$ --</u>
<u>Successor</u>				
Outstanding at May 1, 2010	5,639	\$ 17.61	7.0 years	
Granted	2,727	17.61	10.0 years	
Exercised	--	--		
Outstanding at June 30, 2010	<u>8,366</u>	<u>\$ 17.61</u>	7.8 years	<u>\$ --</u>
Exercisable at June 30, 2010	<u>1,128</u>	<u>\$ 17.61</u>	6.8 years	<u>\$ --</u>

The total stock option expense was \$3 million and \$19 million for the two months ended June 30, 2010, and four months ended April 30, 2010, respectively. The related tax benefits were \$1 million and \$7 million for the two months ended June 30, 2010, and four months ended April 30, 2010, respectively. As of June 30, 2010, the unrecognized compensation cost related to non-qualified stock options was \$44 million, which is expected to be recognized over a weighted-average period of 7.8 years

Restricted Stock Shares—Restricted shares contingent upon LyondellBasell AF's emergence from bankruptcy and continued employment though the vesting date were granted on April 30, 2010.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

14. Incentive and Share-Based Compensation – (Continued)

The following table summarizes restricted stock shares activity for the one month ended April 30, 2010 and the two months ended June 30, 2010 in thousands of shares:

<u>Predecessor</u>	<u>Number of Shares</u>	<u>Weighted- average grant date fair value</u>
Outstanding at January 1, 2010	--	\$ --
Granted	1,772	17.61
Paid	--	--
Forfeited	--	--
Outstanding at April 30, 2010	1,772	\$ 17.61
<u>Successor</u>		
Outstanding at May 1, 2010	1,772	\$ 17.61
Granted	--	--
Paid	--	--
Forfeited	--	--
Outstanding at June 30, 2010	1,772	\$ 17.61

The total restricted stock shares expense was \$1 million and \$5 million for the two months ended June 30, 2010, and one month ended April 30, 2010, respectively. The related tax benefit was less than \$1 million and \$2 million for the two months ended June 30, 2010, and one month ended April 30, 2010, respectively. As of June 30, 2010, the unrecognized compensation cost related to restricted stock shares was \$25 million, which is expected to be recognized over a weighted-average period of 5 years.

Stock Appreciation Rights—Certain employees in Europe were granted stock appreciation rights (“SARs”) under the LTI. SARs give the employees the right to receive an amount of cash equal to the appreciation in the market value of the Company’s stock from the award’s grant date to the exercise date. Because the SAR’s are settled in cash, they are accounted for as a liability award. The SARs vest over three years beginning with the second anniversary of the grant date with the final one-third becoming vested on the fourth anniversary of the grant date. For the two months end June 30, 2010, the amount of compensation expense recognized for SAR’s is less than \$1 million.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

15. Income Taxes

In the two months ended June 30, 2010, the Successor recorded a tax provision of \$28 million, representing an effective tax rate of 7.5% on pre-tax income of \$375 million. In the four months ended April 30, 2010, the Predecessor recorded a tax benefit of \$693 million, representing an effective tax rate of (8.9)% on pre-tax income of \$7,811 million. In the first 6 months of 2009 the Company recorded a tax benefit of \$519 million, representing an effective tax rate of 27.5% on a pre-tax loss of \$1,889 million. The provision for the 2010 Successor period differs from the U.S. statutory rate of 35% primarily due to the fact that in several countries the Company generated either income or losses where we recorded no tax expense or benefit due to valuation allowances on our deferred tax assets. The tax provision for the Predecessor period differs from the statutory rate primarily because a significant portion of the pre-tax gain from the discharge of pre-petition liabilities will not result in future tax liabilities, which was somewhat offset by restructuring charges for which no tax benefit was provided. The tax benefit recorded for the first six months of 2009 was lower than the statutory rate primarily due to restructuring costs for which no tax benefit was provided.

The application of fresh-start accounting on May 1, 2010 resulted in the re-measurement of deferred income tax liabilities associated with the revaluation of the company's assets and liabilities pursuant to ASC 852 (see Note 4). As a result, deferred income taxes were recorded at amounts determined in accordance with ASC 740 of \$1,362 million. Further, the Company recorded valuation allowances against certain of our deferred tax assets resulting from this re-measurement.

LyondellBasell N.V. is incorporated and is resident in the Netherlands. However, since the Company's proportion of U. S. revenues, assets, operating income and associated tax provisions is significantly greater than any other single taxing jurisdiction within the worldwide group, the reconciliation of the differences between the provision for income taxes and the statutory rate is presented on the basis of the U.S. statutory federal income tax rate of 35% as opposed to the Dutch statutory rate of 25.5% to provide a more meaningful insight into those differences. This summary for the Predecessor period is shown below (in millions):

	Predecessor
Millions of dollars	January 1 through April 30, 2010
Theoretical income tax at U.S. statutory rate	\$ 2,733
Increase (reduction) resulting from:	
Discharge of Debt and other Reorganization Related Items	(3,339)
Non-deductible professional fees	46
State income taxes, net of federal benefit	54
Changes in valuation allowances	37
Uncertain tax positions	43
Notional royalties	(11)
Other income taxes, net of federal benefit	(34)
Non-U.S. income taxed at lower statutory rates	(173)
Other, net	(49)
Income tax benefit	\$ (693)

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

15. Income Taxes – (Continued)

Under the plan, a substantial portion the Company's pre-petition debt securities, revolving credit facility and other obligations were extinguished. Absent an exception, a debtor recognizes cancellation of indebtedness income ("CODI") upon discharge of its outstanding indebtedness for an amount of consideration that is less than its adjusted issue price. The Internal Revenue Code of 1986, as amended ("IRC"), provides that a debtor in a bankruptcy case may exclude CODI from taxable income but must reduce certain of its tax attributes by the amount of any CODI realized as a result of the consummation of a plan of reorganization. The amount of CODI realized by a taxpayer is the adjusted issue price of any indebtedness discharged less the sum of (i) the amount of cash paid, (ii) the issue price of any new indebtedness issued and (iii) the fair market value of any other consideration, including equity, issued. As a result of the market value of equity upon emergence from chapter 11 bankruptcy proceedings, the estimated amount of U.S. CODI exceeded the estimated amount of the Company's U.S. tax attributes by approximately \$6,800 million. These estimates are subject to revision, as the actual reduction in tax attributes does not occur until the first day of the Company's tax year (January 1, 2011) subsequent to the date of emergence.

As a result of attribute reduction, the Company does not expect to retain any U.S. net operating loss carryforwards, alternative minimum tax credits or capital loss carryforwards. In addition, the Company expects that most, if not all, of our tax bases in depreciable assets in the U.S. will be eliminated. Accordingly, the Company expects that the liability for U.S. income taxes in future periods will reflect these adjustments and the estimated U.S. cash tax liabilities for the years following 2010 will be significantly higher than in 2009 or 2010.

IRC Sections 382 and 383 provide an annual limitation with respect to the ability of a corporation to utilize its tax attributes, as well as certain built-in-losses, against future U.S. taxable income in the event of a change in ownership. The Company's emergence from chapter 11 bankruptcy proceedings is considered a change in ownership for purposes of IRC Section 382. The limitation under the IRC is based on the value of the corporation as of the emergence date. The Company does not expect that the application of these limitations will have any material affect upon our U.S. federal income tax liabilities after 2010. Germany has similar provisions that preclude the use of certain tax attributes generated prior to a change of control. As of the emergence date, the Company had tax benefits associated with excess interest expense carryforwards in the amount of \$16 million that will be eliminated as a result of the emergence. The reversal of tax benefits associated with the loss of these carryforwards is reflected in the Predecessor period.

As of December 31, 2009 the Company had U.S. tax loss carryforwards of \$854 million and alternative minimum tax credit carryforwards of \$214 million. These carryforwards are expected to be eliminated as of December 31, 2010 as a result of the CODI attribute reduction. However, these carryforwards are still available for utilization through the end of 2010, subject to limitation under IRC sections 382 and 383 (above).

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

15. Income Taxes – (Continued)

Deferred income taxes represent temporary differences in the recognition of certain items for financial reporting and income tax purposes. A summary of the estimated components of the net deferred income tax liabilities after the application of the Fresh Start adjustments to fair value is shown below (in millions):

<u>Millions of dollars</u>	<u>Successor</u> <u>May 1,</u> <u>2010</u>	<u>Predecessor</u> <u>December 31,</u> <u>2009</u>
Deferred tax liabilities:		
Accelerated tax depreciation	\$ 1,469	\$ 3,251
Investments in joint venture partnerships	363	482
Accrued interest	--	341
Other intangible assets	26	142
Inventory	693	238
Deferred charges and revenues	241	307
Other	20	17
Total deferred tax liabilities	<u>2,812</u>	<u>4,778</u>
Deferred tax assets:		
Net operating loss carryforwards	719	1,031
Employee benefit plans	426	543
Deferred interest carryforwards	847	638
AMT credits	--	214
Goodwill	--	44
State and foreign income taxes, net of federal tax benefit	85	107
Deferred charges and revenues	10	19
Environmental reserves	4	549
Other	190	167
Total deferred tax assets	<u>2,281</u>	<u>3,312</u>
Deferred tax asset valuation allowances	<u>(831)</u>	<u>(666)</u>
Net deferred tax assets	<u>1,450</u>	<u>2,646</u>
Net deferred tax liabilities	<u>\$ 1,362</u>	<u>\$ 2,132</u>
Balance sheet classifications:		
Deferred tax assets - current	\$ 1	\$ 4
Deferred tax assets – long-term	--	115
Deferred income liability – current	443	170
Deferred income liability – long term	920	2,081
Net deferred tax liabilities	<u>\$ 1,362</u>	<u>\$ 2,132</u>

The Company continues to maintain a valuation allowance related to net deferred tax assets in several non-U.S. jurisdictions. The current and future provision for income taxes is significantly impacted by the initial recognition of and changes in valuation allowances until it is more likely than not that the deferred tax assets will be realized. Future provision for income taxes will include no tax benefit with respect to losses incurred and no tax expense with respect to income generated in these countries until the respective valuation allowance is eliminated.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

15. Income Taxes – (Continued)

If, in the future taxable income is generated on a sustained basis in jurisdictions where a full valuation allowance has been recorded, the conclusion regarding the need for full valuation allowances in these tax jurisdictions could change, resulting in the reversal of some or all of the valuation allowances. If operations generate taxable income prior to reaching profitability on a sustained basis, a portion of the valuation allowance related to the corresponding realized tax benefit for that period will be reversed, without changing the conclusion on the need for a full valuation allowance against the remaining net deferred tax assets. As a result, the Company's current and future provision for income taxes is significantly impacted by the initial recognition of, and changes in, valuation allowances in certain countries and the Successor period effective tax rate of 7.8% may not be indicative of our future effective tax rate.

16. Commitments and Contingencies

Commitments—LyondellBasell N.V. has various purchase commitments for materials, supplies and services incident to the ordinary conduct of business, generally for quantities required for its businesses and at prevailing market prices. These commitments are designed to assure sources of supply and are not expected to be in excess of normal requirements. At June 30, 2010, LyondellBasell N.V. had commitments of approximately \$21 million related to rebuilding an expanded world-scale high-density polyethylene plant at its Münchsmünster, Germany site. LyondellBasell N.V.'s other capital expenditure commitments at June 30, 2010 were in the normal course of business.

Environmental Remediation—LyondellBasell N.V.'s accrued liability for future environmental remediation costs at current and former plant sites and other remediation sites totaled \$88 million as of June 30, 2010. The liabilities for individual sites range from less than \$1 million to \$17 million. The remediation expenditures are expected to occur over a number of years, and not to be concentrated in any single year. In the opinion of management, there is no reasonable possibility of loss in excess of the liabilities recorded for environmental remediation that is currently estimable. However, it is possible that new information about the sites for which the accrual has been established, new technology or future developments such as involvement in investigations by regulatory agencies could require LyondellBasell N.V. to reassess its potential exposure related to environmental matters.

The following table summarizes the activity in LyondellBasell N.V.'s accrued environmental liability included in "Accrued liabilities" and "Other liabilities":

	<u>Successor</u>	<u>Predecessor</u>	
	<u>May 1 through June 30, 2010</u>	<u>January 1 through April 30, 2010</u>	<u>Six months ended June 30, 2009</u>
<u>Millions of dollars</u>			
Balance at beginning of period	\$ 93	\$ 89	\$ 256
Additional provisions	--	11	1
Amounts paid	(1)	(2)	(4)
Reclassification to "Liabilities subject to compromise"	--	--	(133)
Foreign exchange effects	(4)	(5)	--
Balance at end of period	<u>\$ 88</u>	<u>\$ 93</u>	<u>\$ 120</u>

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

16. Commitments and Contingencies – (Continued)

Remediation liabilities at June 30, 2010, including LyondellBasell N.V.'s obligations with respect to contamination at the Ferrara and Brindisi sites in Italy and the Berre site in France, totaled \$88 million at June 30, 2010. Former shareholders of Basell AF S.C.A. indemnified the Predecessor, LyondellBasell AF for a significant portion of the potential obligations that could arise with respect to costs relating to contamination at the Berre site in France and the Ferrara and Brindisi sites in Italy. Accordingly, LyondellBasell N.V. has recorded a corresponding receivable from the former shareholder.

The Debtors resolved substantially all of their liability related to third-party sites (including sites where the Debtors were subject to a Comprehensive Environmental Response, Compensation and Liability Act or similar state order to fund or perform such cleanup, such as the river and the other portions of the Kalamazoo River Superfund Site that the Debtors do not own) through creation of the Environmental Custodial Trust and agreement on allowed claim values as set forth in the Debtors' Third Amended Plan of Reorganization and Settlement Agreement Among the Debtors, the Environmental Custodial Trust Trustee, The United States, and certain environmental Agencies filed with the U.S. Bankruptcy Court on March 30, 2010 and approved by the court on April 23, 2010. Upon the Debtors' emergence from bankruptcy, certain real properties owned by the Debtors, including the Schedule III Debtors (as defined in the Third Amended Plan of Reorganization), were transferred to the Environmental Custodial Trust, which now owns and is responsible for these properties. Consistent with the Debtors' settlement with the governmental agencies and its Third Amended Plan of Reorganization, approximately \$170 million of cash was also used to fund the Environmental Custodial Trust and to make certain direct payments to the Environmental Protection Agency and certain state environmental agencies.

Litigation and Other Matters—On April 12, 2005, BASF Corporation ("BASF") filed a lawsuit in New Jersey against Lyondell Chemical asserting various claims relating to alleged breaches of a product sales contract and seeking damages in excess of \$100 million. Lyondell Chemical denies it breached the contracts. Lyondell Chemical believed the maximum refund due to BASF was \$22.5 million on such product sales and has paid such amount to BASF. On August 13, 2007, the jury returned a verdict in favor of BASF in the amount of approximately \$170 million (which includes the above \$22.5 million). On October 3, 2007, the judge determined that prejudgment interest on the verdict was \$36 million. Lyondell Chemical is appealing this verdict and has posted a bond, which is collateralized by a \$200 million letter of credit. On April 21, 2010, oral arguments related to the appeal were held.

Indemnification—LyondellBasell N.V. and its subsidiaries are parties to various indemnification arrangements, including arrangements entered into in connection with acquisitions, divestitures and the formation of joint ventures. Pursuant to these arrangements, LyondellBasell N.V. and its subsidiaries provide indemnification to and/or receive indemnification from other parties in connection with liabilities that may arise in connection with the transactions and in connection with activities prior to completion of the transactions. These indemnification arrangements typically include provisions pertaining to third party claims relating to environmental and tax matters and various types of litigation. As of June 30, 2010, LyondellBasell N.V. has not accrued any significant amounts for such indemnification obligations and it is not aware of other circumstances that would likely lead to significant future indemnification obligations. LyondellBasell N.V. 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.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

16. Commitments and Contingencies – (Continued)

As part of its technology licensing contracts, LyondellBasell N.V. gives indemnifications to its licensees for liability arising from possible patent infringement claims with respect to proprietary licensed technology. Such indemnifications have a stated maximum amount and generally cover a period of five to ten years.

Other—The Company has identified an agreement related to a project in Kazakhstan under which a payment was made that raises compliance concerns under the U.S. Foreign Corrupt Practices Act (the “FCPA”). The Company has engaged outside counsel to investigate these activities, under the oversight of a special committee established by the Supervisory Board, and to evaluate internal controls and compliance policies and procedures. The Company made a voluntary disclosure of these matters to the U.S. Department of Justice and is cooperating fully with that agency. The ultimate outcome of this matter cannot be predicted at this time or whether other matters raising compliance issues will be discovered, including under other statutes. In this respect, the Company may not have conducted business in compliance with the FCPA and may not have had policies and procedures in place adequate to ensure compliance. Therefore, management cannot reasonably estimate a range of liability for any potential penalty resulting from these matters. Violations of these laws could result in criminal and civil liabilities and other forms of relief that could be material to LyondellBasell N.V.

Certain of LyondellBasell N.V.’s non-U.S. subsidiaries conduct business in countries subject to U.S. economic sanctions, including Iran. U.S. laws and regulations prohibit U.S. persons from engaging in business activities, in whole or in part, with sanctioned countries, organizations and individuals. In connection with LyondellBasell N.V.’s continuing review of compliance risks in this area, certain activities have been identified that raise compliance issues under applicable sanctions laws and regulations. The Company has made voluntary disclosure of these matters to the U.S. Treasury Department and intends to cooperate fully with that agency. The Company’s investigations are ongoing; therefore the ultimate outcome of this matter cannot be predicted at this time. Therefore, management cannot reasonably estimate a range of liability for any potential penalty resulting from these matters. Violations of these laws could result in criminal and civil liabilities and other forms of relief that could be material to the Company.

LyondellBasell N.V. and its joint ventures are, from time to time, defendants in lawsuits and other commercial disputes, some of which are not covered by insurance. Many of these suits make no specific claim for relief. Although final determination of any liability and resulting financial impact with respect to any such matters cannot be ascertained with any degree of certainty, management does not believe that any ultimate uninsured liability resulting from these matters will, individually or in the aggregate, have a material adverse effect on the financial position, liquidity or results of operations of LyondellBasell N.V.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

16. Commitments and Contingencies – (Continued)

General—In the opinion of management, the matters discussed in this note are not expected to have a material adverse effect on the financial position or liquidity of LyondellBasell N.V. However, the adverse resolution in any reporting period of one or more of these matters could have a material impact on LyondellBasell N.V.’s results of operations for that period, which may be mitigated by contribution or indemnification obligations of others, or by any insurance coverage that may be available.

17. Non-Controlling Interests

Comprehensive loss of non-controlling interests consisted of the following components:

	<u>Successor</u>	<u>Predecessor</u>	
	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
<u>Millions of dollars</u>			
Comprehensive income (loss):			
Net income attributable to non-controlling interests	\$ 9	\$ (53)	\$ 7
Fixed operating fees paid to Lyondell Chemical by the PO/SM II partnership	(4)	(7)	(10)
	<u>\$ 5</u>	<u>\$ (60)</u>	<u>\$ (3)</u>

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

18. Per Share Data

On April 30, 2010, approximately 563.9 million shares of LyondellBasell N.V. common stock, including 300 million shares of Class A new common stock was issued in exchange for allowed claims under the Plan of Reorganization. In addition, approximately 263.9 million shares of LyondellBasell N.V. Class B stock were issued in connection with a rights offering for gross proceeds of \$2.8 billion. Basic earnings per share for the period subsequent to April 30, 2010 is based upon the weighted average number of shares of common stock outstanding during the periods. Diluted earnings per share also include the effect of outstanding warrants and restricted stock. The outstanding stock options were anti-dilutive.

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

<u>In millions</u>	<u>Successor May 1 through June 30, 2010</u>
Net income	\$ 347
Less: net income attributable to non-controlling interests	(5)
Net income attributable to LyondellBasell N.V.	342
Reverse after-tax gain on change in fair value of warrants	(11)
Net income attributable to LyondellBasell N.V. assuming conversion of warrants	<u>\$ 331</u>
<u>In millions of shares</u>	
Basic weighted average class A and class B ordinary shares	565.7
Effect of dilutive securities:	
Warrants and restricted stock shares/units	4.1
Dilutive potential shares	<u>569.8</u>
Earnings per share:	
Basic:	\$ 0.61
Diluted:	\$ 0.58
Anti-dilutive stock options in millions	8.4
Dividends declared per share of common stock	\$ --

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

19. Segment and Related Information

LyondellBasell N.V. operates in five segments:

- Olefins and Polyolefins–Americas, primarily manufacturing and marketing of olefins, including ethylene; its co-products, primarily propylene, butadiene, and aromatics, which include benzene and toluene; as well as ethanol; and polyolefins, including polyethylene, comprising HDPE, LDPE and linear low density polyethylene (“LLDPE”), and polypropylene; and *Catalloy* process resins;
- Olefins and Polyolefins–Europe, Asia, International (“O&P–EAI”), primarily manufacturing and marketing of olefins, including ethylene and its co-products, primarily propylene and butadiene; polyolefins, including polyethylene, comprising HDPE, LDPE and polypropylene; polypropylene-based compounds, materials and alloys (“PP Compounds”), *Catalloy* process resins and polybutene-1 polymers;
- Intermediates and Derivatives, primarily manufacturing and marketing of PO; PO co-products, including styrene and the TBA intermediates tertiary butyl alcohol (“TBA”), isobutylene and tertiary butyl hydroperoxide; PO derivatives, including propylene glycol, propylene glycol ethers and butanediol; ethylene derivatives, including ethylene glycol, ethylene oxide (“EO”), and other EO derivatives; acetyls, including vinyl acetate monomer, acetic acid and methanol;; and fragrance and flavor chemicals;
- Refining and Oxyfuels, primarily manufacturing and marketing of refined petroleum products, including gasoline, ultra-low sulfur diesel, jet fuel, aromatics, lubricants (“lube oils”), naphtha, VGO, liquefied petroleum gas, bitumen, heating oil, and gasoline blending components, such as methyl tertiary butyl ether (“MTBE”), ethyl tertiary butyl ether (“ETBE”) and alkylate; and
- Technology, primarily licensing of polyolefin process technologies and supply of polyolefin catalysts and advanced catalysts.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

19. Segment and Related Information – (Continued)

Summarized financial information concerning reportable segments is shown in the following table for the periods presented. Presentation of prior years' amounts have been reclassified to conform to LyondellBasell N.V. current operating segments:

Successor							
<u>Millions of dollars</u>	<u>Olefins and Polyolefins – Americas</u>	<u>Olefins and Polyolefins – Europe, Asia & International</u>	<u>Intermediates & Derivatives</u>	<u>Refining and Oxyfuels</u>	<u>Technology</u>	<u>Other</u>	<u>Total</u>
May 1 through June 30, 2010:							
Sales and other operating revenues:							
Customers	\$ 1,500	\$ 2,098	\$ 940	\$ 2,178	\$ 52	\$ 4	\$ 6,772
Intersegment	504	42	--	225	23	(794)	--
	<u>2,004</u>	<u>2,140</u>	<u>940</u>	<u>2,403</u>	<u>75</u>	<u>(790)</u>	<u>6,772</u>
Operating income (loss)	149	114	109	14	23	13	422
Income (loss) from equity investments	3	25	(1)	--	--	--	27
Predecessor							
<u>Millions of dollars</u>	<u>Olefins and Polyolefins – Americas</u>	<u>Olefins and Polyolefins – Europe, Asia & International</u>	<u>Intermediates & Derivatives</u>	<u>Refining and Oxyfuels</u>	<u>Technology</u>	<u>Other</u>	<u>Total</u>
April 1 through April 30, 2010:							
Sales and other operating revenues:							
Customers	\$ 885	\$ 1,059	\$ 504	\$ 1,232	\$ 22	\$ 10	\$ 3,712
Intersegment	278	7	--	101	13	(399)	--
	<u>1,163</u>	<u>1,066</u>	<u>504</u>	<u>1,333</u>	<u>35</u>	<u>(389)</u>	<u>3,712</u>
Segment operating income	175	44	34	29	8	18	308
Current cost adjustment							<u>15</u>
Operating income							323
Income from equity investments	1	28	--	--	--	--	29

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

19. Segment and Related Information – (Continued)

<u>Millions of dollars</u>	<u>Olefins and Polyolefins – Americas</u>	<u>Olefins and Polyolefins – Europe, Asia & International</u>	<u>Intermediates & Derivatives</u>	<u>Refining and Oxyfuels</u>	<u>Technology</u>	<u>Other</u>	<u>Total</u>
Three months ended							
June 30, 2009:							
Sales and other operating revenues:							
Customers	\$ 1,582	\$ 2,105	\$ 810	\$ 2,880	\$ 122	\$ --	\$ 7,499
Intersegment	455	65	--	287	28	(835)	--
	<u>2,037</u>	<u>2,170</u>	<u>810</u>	<u>3,167</u>	<u>150</u>	<u>(835)</u>	<u>7,499</u>
Segment operating income (loss)	69	2	41	(80)	67	(28)	71
Current cost adjustment							<u>18</u>
Operating income							89
Income (loss) from equity investments	2	25	(5)	--	--	--	22
<u>Millions of dollars</u>	<u>Olefins and Polyolefins – Americas</u>	<u>Olefins and Polyolefins – Europe, Asia & International</u>	<u>Intermediates & Derivatives</u>	<u>Refining and Oxyfuels</u>	<u>Technology</u>	<u>Other</u>	<u>Total</u>
January 1 through							
April 30, 2010:							
Sales and other operating revenues:							
Customers	\$ 3,220	\$ 4,018	\$ 1,820	\$ 4,293	\$ 104	\$ 12	\$13,467
Intersegment	963	87	--	455	41	(1,546)	--
	<u>4,183</u>	<u>4,105</u>	<u>1,820</u>	<u>4,748</u>	<u>145</u>	<u>(1,534)</u>	<u>13,467</u>
Segment operating income (loss)	320	115	157	(99)	39	(41)	491
Current cost adjustment							<u>199</u>
Operating income							690
Income (loss) from equity investments	5	80	(1)	--	--	--	84

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

19. Segment and Related Information – (Continued)

<u>Millions of dollars</u>	<u>Olefins and Polyolefins – Americas</u>	<u>Olefins and Polyolefins – Europe, Asia & International</u>	<u>Intermediates & Derivatives</u>	<u>Refining and Oxyfuels</u>	<u>Technology</u>	<u>Other</u>	<u>Total</u>
<u>Six months ended</u>							
<u>June 30, 2009</u>							
Sales and other operating revenues:							
Customers	\$ 2,858	\$ 3,786	\$ 1,571	\$ 4,963	\$ 221	\$ --	\$13,399
Intersegment	<u>757</u>	<u>103</u>	<u>--</u>	<u>469</u>	<u>45</u>	<u>(1,374)</u>	<u>--</u>
	3,615	3,889	1,571	5,432	266	(1,374)	13,399
Segment operating income (loss)	(32)	(72)	119	(124)	117	(37)	(29)
Current cost adjustment							<u>(23)</u>
Operating loss							<u>(52)</u>
Income (loss) from equity investments	--	14	(12)	--	--	--	2

Sales and other operating revenues and operating income (loss) in the “Other” column above include elimination of intersegment transactions.

LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

19. Segment and Related Information – (Continued)

Long-lived assets, including goodwill, are summarized and reconciled to consolidated totals in the following table:

<u>Millions of dollars</u>	<u>Olefins and Polyolefins – Americas</u>	<u>Olefins and Polyolefins – Europe, Asia & International</u>	<u>Intermediates & Derivatives</u>	<u>Refining and Oxyfuels</u>	<u>Technology</u>	<u>Other</u>	<u>Total</u>
Successor							
<u>June 30, 2010</u>							
Property, plant and equipment, net	\$ 1,570	\$ 2,364	\$ 1,782	\$ 839	\$ 284	\$ --	\$ 6,839
Investment in PO Joint Ventures	--	--	434	--	--	--	434
Equity and other investments	153	1,254	100	--	--	--	1,507
Goodwill	557	150	346	--	8	--	1,061
Predecessor							
<u>April 30, 2010</u>							
Property, plant and equipment, net	\$ 4,103	\$ 2,901	\$ 2,485	\$ 4,776	\$ 231	\$ 58	\$14,554
Investment in PO Joint Ventures	--	--	867	--	--	--	867
Equity and other investments	107	966	100	--	--	--	1,173

20. Subsequent Events

LyondellBasell N.V. has evaluated subsequent events through the date the financial statements were issued.

Management's Discussion and Analysis of Financial Condition and Results of Operations

General—LyondellBasell N.V. is a global manufacturer of chemicals and plastics, a refiner of crude oil, including heavy, high-sulfur crude oil, a significant producer of gasoline blending components and a licensor of technology processes. LyondellBasell N.V. has five reporting segments: Olefins and Polyolefins–Americas (“O&P–Americas”), Olefins and Polyolefins–Europe, Asia and International (“O&P–EAI”), Intermediates and Derivatives (“I&D”), Refining and Oxyfuels, and Technology.

This discussion should be read in conjunction with the information contained in the Consolidated Financial Statements of LyondellBasell Industries N.V., together with its consolidated subsidiaries (collectively, “LyondellBasell N.V.”, the “Successor Company” or the “Successor”), and the notes thereto contained elsewhere in this report as well as the Consolidated Financial Statements of LyondellBasell Industries AF S.C.A. (“LyondellBasell AF”, the “Predecessor Company” or the “Predecessor”) for the year ended December 31, 2009 included in Amendment 2 to the Form 10 filed with the Securities and Exchange Commission on July 26, 2010.

EMERGENCE FROM CHAPTER 11 PROCEEDINGS

Bankruptcy Filing—On January 6, 2009, certain of LyondellBasell AF’s U.S. subsidiaries and one of its European holding companies, Basell Germany Holdings GmbH (“Germany Holdings” and collectively, the “Initial Debtors”) filed voluntary petitions for relief under chapter 11 of title 11 of the United States Bankruptcy Code (the “U.S. Bankruptcy Code”) in the U.S. Bankruptcy Court. In addition, voluntary petitions for relief under chapter 11 of the U.S. Bankruptcy Code were filed by LyondellBasell Industries AF S.C.A., the Luxembourg holding company, and its General Partner, LyondellBasell AF GP S.à r.l. on April 24, 2009 and by thirteen additional U.S. subsidiaries on May 8, 2009 (collectively with the Initial Debtors, the “Debtors”). All 94 of these cases (the “Bankruptcy Cases”) were jointly administered under the caption “*In re Lyondell Chemical Company, et al.*,” and the Debtors operated their businesses and managed their properties as “debtors-in-possession” under the jurisdiction of the U.S. Bankruptcy Court and in accordance with the applicable provisions of the U.S. Bankruptcy Code and orders of the U.S. Bankruptcy Court.

On April 23, 2010, the U.S. Bankruptcy Court confirmed LyondellBasell AF’s Third Amended Plan of Reorganization (“Plan of Reorganization”) and the Debtors emerged from chapter 11 protection on April 30, 2010 (the “Emergence Date”). As a result of the emergence from chapter 11 proceedings, certain prepetition liabilities against the Debtors were discharged to the extent set forth in the Plan of Reorganization and otherwise applicable law and the Debtors made distributions to their creditors in accordance with the terms of the Plan of Reorganization.

Plan of Reorganization—LyondellBasell N.V. became the successor parent holding company for the subsidiaries of LyondellBasell AF after completion of the Bankruptcy Cases. LyondellBasell N.V. is a company with limited liability (*Naamloze Vennootschap*) incorporated under Dutch law by deed of incorporation dated October 15, 2009. LyondellBasell AF, which was the predecessor parent holding company, is no longer part of the consolidated LyondellBasell group subsequent to the Emergence Date.

Under the Plan of Reorganization, the organizational structure of the Company in North America was simplified by the removal of 90 legal entities. The ultimate ownership of 49 of these entities (identified as Schedule III Debtors in the Plan of Reorganization) were transferred to a new owner, the Millennium Custodial Trust, a trust established for the benefit of certain creditors, and these entities are no longer part of LyondellBasell N.V. In addition, certain real properties owned by the Debtors, including the Schedule III Debtors, were transferred to the Environmental Custodial Trust, which now owns and is responsible for these properties. Any associated liabilities of the entities transferred to and owned by the Millennium Custodial Trust are the responsibility of those entities and claims regarding those entities will be resolved solely using their assets and the assets of the trust. In total, \$250 million of cash was used to fund the two trusts, including approximately \$80 million for the Millennium Custodial Trust and approximately \$170 million for the Environmental Custodial Trust and to make certain direct payments to the Environmental Protection Agency and certain state environmental agencies.

Pursuant to the Third Amended Plan of Reorganization, administrative and priority claims, as well as the new money debtor-in-possession (“DIP”) financing were repaid in full. The lenders of the DIP loans representing a dollar-for-dollar roll-up or conversion of previously outstanding senior secured loans (“Roll-up Notes”) received new notes in the same principal amount as the DIP Roll-up Notes. Holders of senior secured claims received Class A shares of LyondellBasell N.V. in exchange for their claims. Pursuant to the Amended Lender Litigation Settlement approved by the U.S. Bankruptcy Court on March 11, 2010, allowed general unsecured claims received a combination of cash and Class A shares of LyondellBasell N.V.

See “Liquidity and Capital Resources” below for a discussion of the emergence financing.

Tax Impact of Reorganization—Under the Plan of Reorganization, the Company’s pre-petition debt securities, revolving credit facility and other obligations were extinguished. Absent an exception, a debtor recognizes cancellation of indebtedness income (“CODI”) upon discharge of its outstanding indebtedness for an amount of consideration that is less than its adjusted issue price. The Internal Revenue Code of 1986, as amended (“IRC”), provides that a debtor in a bankruptcy case may exclude CODI from income but must reduce certain of its tax attributes by the amount of any CODI realized as a result of the consummation of a plan of reorganization. The amount of CODI realized by a taxpayer is the adjusted issue price of any indebtedness discharged less the sum of (i) the amount of cash paid, (ii) the issue price of any new indebtedness issued and (iii) the fair market value of any other consideration, including equity, issued. As a result of the market value of the Company’s equity upon emergence from Chapter 11 bankruptcy proceedings, the estimated amount of CODI exceeded the estimated amount of its tax attributes by approximately \$6,800 million. These estimates are subject to revision, as the actual reduction in tax attributes does not occur until the first day of the subsequent tax year, or January 1, 2011.

As a result of attribute reduction, the Company does not expect to retain any U.S. net operating loss carryforwards, alternative minimum tax credits or capital loss carryforwards. In addition, we expect that most, if not all, of our tax basis in depreciable assets will be eliminated. Accordingly, it is expected that our liability for U.S. income taxes in future periods will reflect these adjustments and our estimated cash tax liabilities for the years following 2010 will be significantly higher than in 2009 or 2010.

IRC Sections 382 and 383 provide an annual limitation with respect to the ability of a corporation to utilize its tax attributes, as well as certain built-in-losses, against future U.S. taxable income in the event of a change in ownership. The Company’s emergence from bankruptcy is considered a change in ownership for purposes of IRC Section 382. The limitation under the IRC is based on the value of the corporation as of the emergence date. The Company does not expect that the application of these limitations will have a material affect upon its U.S. federal income tax liabilities after 2010. Germany has similar provisions that preclude the use of certain tax attributes generated prior to a change of control. As of the Emergence Date, the Company had tax benefits associated with excess interest expense carryforwards in the amount of \$16 million that were eliminated as a result of the emergence. The reversal of tax benefits associated with the loss of these carryforwards is reflected in the Predecessor period.

The Company’s current and future provisions for income taxes is significantly impacted by the initial recognition of, and changes in, valuation allowances in certain countries and are dependent upon future earnings and earnings sustainability in those jurisdictions. Consequently, the Company’s effective tax rate of 7.5% in the Successor period may not be indicative of its future effective tax rate.

Financial Information—Following the completion of the Bankruptcy Cases, LyondellBasell AF’s equity interests in its indirect subsidiaries terminated and LyondellBasell N.V., the successor holding company, now owns and operates, directly and indirectly, substantially the same business owned and operated by LyondellBasell AF prior to emergence from bankruptcy. For accounting purposes, the operations of LyondellBasell AF, the Predecessor Company, are deemed to have ceased on April 30, 2010 and LyondellBasell N.V., the Successor Company, is deemed to have begun operations on that date. Effective May 1, 2010, LyondellBasell N.V. adopted fresh-start accounting. References in the following discussions to the “Company” for periods prior to April 30, 2010, the Emergence Date, are to the Predecessor Company and, for periods after the Emergence Date, to the Successor Company.

The accompanying consolidated financial statements present separately the period prior to April 30, 2010 and the period after the Debtors’ emergence from bankruptcy to recognize the application of fresh-start accounting. Management believes that combining the Successor and Predecessor periods for the second quarter and first six months of 2010, which is a non-GAAP presentation, provides a more meaningful comparison of the 2010 and 2009 results of operations and cash flows when considered with the effects of fresh-start accounting described below. The effects of fresh-start accounting are specifically addressed throughout the discussion of the Company’s operating results. References in the following discussion to the second quarter and first six months of 2010 are to the combined Successor and Predecessor periods unless otherwise described as Successor or Predecessor.

The primary impacts of the Company’s reorganization pursuant to the Plan of Reorganization and the adoption of fresh-start accounting on the Company’s results of operations is as follows:

Inventory—LyondellBasell N.V. adopted the last-in, first-out (“LIFO”) method of accounting for inventory upon implementation of fresh-start accounting. Prior to the emergence from bankruptcy, LyondellBasell AF used both the first-in, first-out (“FIFO”) and LIFO methods of accounting to determine inventory cost. The LIFO method was used for certain U.S. inventories to maintain consistency with LyondellBasell AF’s U.S. federal income tax treatment of those inventories. Operating results on these bases are discussed in “Results of Operations,” which is supplemented by a discussion of segment operating results under “—Segment Analysis.” For purposes of evaluating segment results, management reviewed operating results for LyondellBasell AF determined using current cost, which approximates results using the LIFO method of accounting for inventory. Operating results for LyondellBasell N.V. are reviewed using the LIFO method of accounting for inventory. While determining the impact of the adoption of LIFO on predecessor periods is not practicable, the Company believes that the current cost method used by the Predecessor for segment reporting is similar to LIFO and the current cost method would have resulted in a decrease of cost of sales of \$18 million and \$199 million for the three and six months ended June 30, 2009.

In addition, on April 30, 2010, pursuant to Accounting Standards Codification (“ASC”) Topic 852, *Reorganizations*, the Company recorded its inventory, which is primarily crude-oil derived, at fair value. The increase in inventory of \$1,297 million was primarily in the U.S. and was largely driven by the price of crude oil. The per barrel benchmark price of WTI crude oil at April 30, 2010 had increased to \$86.15. By June 30, 2010, the per barrel benchmark price of WTI crude oil had declined to \$75.63, contributing to the \$333 million lower of cost or market adjustment primarily to the Company’s raw materials and finished goods inventory and associated increase in cost of sales for the period from May 1 through June 30, 2010.

Depreciation and amortization expense—Depreciation and amortization expense is lower in the Successor period as a result of the Company’s revaluation of assets for fresh-start accounting. For additional information on the revaluation of assets, see Note 4 to the Consolidated Financial Statements. Depreciation and amortization as reported for all periods presented is as follows:

	Successor	Predecessor		Successor	Predecessor	
	May 1 through June 30, 2010	April 1 through April 30, 2010	Three months ended June 30, 2009	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
Millions of dollars						
Cost of sales:						
Depreciation	\$ 93	\$ 116	\$ 380	\$ 93	\$ 464	\$ 721
Amortization	33	18	91	33	75	160
Research and development expenses:						
Depreciation	2	3	3	2	8	9
Selling, general and administrative expenses:						
Depreciation	1	4	5	1	18	5
	\$ 129	\$ 141	\$ 479	\$ 129	\$ 565	\$ 895

Interest expense—Lower interest expense in the Successor period was driven by the discharge of approximately \$9 billion of debt, upon which interest was accruing during the bankruptcy, in the Company’s reorganization on April 30, 2010 pursuant to the Plan of Reorganization.

	Successor	Predecessor		Successor	Predecessor	
	May 1 through June 30, 2010	April 1 through April 30, 2010	Three months ended June 30, 2009	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
Millions of dollars						
Interest expense	\$ 132	\$ 302	\$ 501	\$ 132	\$ 713	\$ 934

The results of operations for the three months ended June 30, 2010 and 2009 discussed in these “Results of Operations” are presented in the table below. References to the three months ended June 30, 2010 in the discussion are to the combined Successor and Predecessor periods unless otherwise indicated.

	Successor	Predecessor	
	May 1 through June 30, 2010	April 1 through April 30, 2010	Three months ended June 30, 2009
Millions of dollars			
Sales and other operating revenues	\$ 6,772	\$ 3,712	\$ 7,499
Cost of sales	6,198	3,284	7,158
Selling, general and administrative expenses	129	91	227
Research and development expenses	23	14	25
Operating income	422	323	89
Interest expense	(132)	(302)	(501)
Interest income	12	3	3
Other income (expense), net	54	(65)	71
Income from equity investments	27	29	22
Reorganization items	(8)	7,803	(124)
Provision for (benefit from) income taxes	28	(705)	(87)
Net income (loss)	\$ 347	\$ 8,496	\$ (353)

The results of operations for the six months ended June 30, 2010 and 2009 discussed in these “Results of Operations” are presented in the table below. References to the six months ended June 30, 2010 in the discussion are to the combined Successor and Predecessor periods unless otherwise indicated.

	Successor	Predecessor	
	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
Millions of dollars			
Sales and other operating revenues	\$ 6,772	\$ 13,467	\$ 13,399
Cost of sales	6,198	12,414	12,950
Selling, general and administrative expenses	129	308	434
Research and development expenses	23	55	67
Operating income (loss)	422	690	(52)
Interest expense	(132)	(713)	(934)
Interest income	12	5	11
Other income (expense), net	54	(265)	156
Income from equity investments	27	84	2
Reorganization items	(8)	8,010	(1,072)
Provision for (benefit from) income taxes	28	(693)	(519)
Net income (loss)	\$ 347	\$ 8,504	\$ (1,370)

Segment operating results are reviewed in the “Segment Analysis” below for the Successor period using the LIFO method of accounting for inventory and for the Predecessor periods on a current cost basis.

OVERVIEW OF RESULTS OF OPERATIONS

Global market conditions in the second quarter and first six months of 2010 continued to improve from the weak conditions experienced in late 2009. Industry operating rates and average sales prices generally improved during the course of the second quarter and first six months of 2010, and compared favorably to the 2009 periods. Demand improved in the durable goods sector of the global economy, including the automotive markets.

Improvement in the global economy experienced in the first quarter 2010 continued through the second quarter 2010. As a result, demand and operating rates were higher in the second quarter and first six months of 2010, compared to the same periods in 2009, which were characterized by weaker demand and generally lower operating rates. In addition, certain of LyondellBasell N.V.'s business segments benefited from planned and unplanned competitor operating disruptions.

Excluding the impacts of fresh-start accounting discussed above in "Emergence from Chapter 11 Proceedings," operating results in the second quarter and first six months of 2010 generally reflected higher product margins and higher sales volumes, compared to the second quarter and first six months of 2009. Reliable operations and the effect of industry supply disruptions resulted in significantly higher margins and higher sales volumes in the O&P-Americas business segment. The Refining and Oxyfuels business segment results were higher in the second quarter and first six months of 2010 primarily due to higher refining margins. Higher operating results in the O&P-EAI and the I&D business segments were a reflection of improvement in the durable goods markets, while lower licensing revenue in the Technology business translated into lower results for the 2010 period.

References to industry benchmark prices or costs, including the weighted average cost of ethylene production, are generally to industry prices and costs reported by Chemical Marketing Associates, Incorporated ("CMAI"), except that references to industry benchmarks for refining and oxyfuels market margins are to industry prices reported by Platts, a reporting service of The McGraw-Hill Companies and crude oil and natural gas benchmark price references are to Bloomberg.

RESULTS OF OPERATIONS

Revenues—Revenues were \$10,484 million in the second quarter 2010 compared to revenues of \$7,499 million in the second quarter 2009 and \$20,239 million in the first six months of 2010 compared to \$13,399 in the first six months of 2009. The \$2,985 million and \$6,840 million increases in the second quarter and first six months of 2010 compared to the second quarter and first six months of 2009 were primarily due to higher demand and reflected the effect of higher average product sales prices and higher sales volumes in all but the refining and oxyfuels segment.

Cost of Sales—Cost of sales were \$9,482 million in the second quarter 2010 compared to \$7,158 million in the second quarter 2009 and \$18,612 million in the first six months of 2010 compared to \$12,950 million in the first six months of 2009.

The Successor period includes a \$333 million non-cash charge to adjust the value of inventory, primarily raw materials and finished goods, at June 30, 2010 to market value, which was lower than the April 30, 2010 value applied during fresh-start accounting as discussed above. A decrease in depreciation and amortization expense in the Successor period of \$144 million as a result of the Company's revaluation of its assets in fresh start accounting contributed to lower depreciation and amortization expense in the second quarter and first six months of 2010 of \$211 million and \$216 million, respectively, compared to the second quarter and first six months of 2009.

The Predecessor period included a charge of \$23 million for plant closure and other costs related to a polypropylene plant in Terni, Italy (see Note 7 to the Consolidated Financial Statements). Remaining increases in cost of sales for the second quarter and first six months of 2010 were primarily due to higher raw material and utility costs. The higher raw material costs reflect the effects of higher crude oil and natural gas liquids-based raw material prices.

R&D Expense—Research and development expenses were \$37 million in the second quarter 2010 compared to \$25 million in the second quarter 2009 and \$78 million in the first six months of 2010 compared to \$67 million in the first six months of 2009. The 2009 periods include the effect of a \$12 million government subsidy.

Operating Income (Loss)—Operating income was \$745 million in the second quarter 2010 compared to \$89 million in the second quarter 2009 and operating income was \$1,112 million in the first six months of 2010 compared to an operating loss of \$52 million in the first six months of 2009. The increases of \$656 million and \$1,164 million in the second quarter and first six months of 2010, respectively, reflect higher product margins and improved global market conditions in the second quarter and first six months of 2010 compared to the same 2009 periods when demand was very weak. Results for the second quarter and first six months of 2010 also benefited from lower depreciation and amortization expense recognized during the Successor period as a result of the write-down of assets in fresh-start accounting. The increase in results in both 2010 periods were partially offset by the \$333 million charge to adjust inventory in the Successor period described above in cost of sales, as well as the negative effect of lost production and higher costs stemming from the unplanned outage related to the crude unit fire at the Houston refinery during the Successor period. In the first six months of 2010, the Predecessor included a charge of \$23 million for the Terni, Italy plant discussed in cost of sales. Operating results for each of the business segments are reviewed further in the “Segment Analysis” section below.

Interest Expense—Interest expense was \$434 million in the second quarter 2010 compared to \$501 million in the second quarter 2009 and \$845 million compared to \$934 million in the first six months of 2010 and 2009, respectively. The lower interest expense reflected in the Successor period is primarily due to the discharge of approximately \$9 billion of debt in accordance with the Plan of Reorganization upon the Company’s emergence from bankruptcy, upon which interest was accruing during the bankruptcy, partially offset by interest expense on the debt incurred as part of the Company’s emergence from bankruptcy. This net decrease was partially offset by higher interest expense in the Predecessor periods included in the second quarter and first six months of 2010, primarily related to the DIP financing and a charge of \$153 million related to a terminated interest rate swap. Contractual interest expense for the Predecessor periods included in the second quarter and first six months of 2010 was \$236 million and \$914 million, respectively, compared to \$693 million and \$1,303 million for the second quarter and first six months of 2009, respectively.

Other Income (Expense), net—Other expense, net of \$11 million in the second quarter 2010 compared to other income of \$71 million in the second quarter 2009. Other expense, net of \$211 million in the first six months of 2010 compared to other income of \$156 million in the first six months of 2009. Other expense, net, in the second quarter and first six months of 2010 included foreign exchange losses of \$14 million and \$218 million, respectively. In the second quarter and first six months of 2009, other income, net, included foreign exchange gains of \$74 million and \$89 million, respectively. Other income, net, in the first six months of 2009 also included involuntary conversion gains of \$72 million. These gains represented partial settlement of outstanding insurance claims related to damages sustained in 2005 at the polymers plant in Münchsmünster, Germany.

Reorganization Items—The Company had income from reorganization items of \$7,795 million and \$8,002 million, respectively, in the second quarter and first six months of 2010, and reorganization items expense of \$124 million and \$1,072 million, respectively, in the second quarter and in the first six months of 2009. Income from reorganization items included gains totaling \$13,617 million related to settlement of liabilities subject to compromise, deconsolidation of entities upon emergence, adjustments related to rejected contracts, and a reduction of environmental remediation liabilities. These gains were partially offset by a charge of \$5,656 million related to the changes in net assets resulting from the application of fresh-start accounting and by several one-time emergence costs, including the success and other fees earned by certain professionals upon the Company’s emergence from bankruptcy, damages related to the rejection of executory contracts and plant closure costs. Reorganization items expense in the second quarter and first six months of 2009 included charges for asset write-offs associated with a lease rejection; contract termination charges and costs related primarily to the shutdown of the Company’s olefins plant at Chocolate Bayou, Texas; and the long-term idling of the ethylene glycol facility in Beaumont, Texas. Also included were severance charges, professional fees, and a charge for the write off of deferred debt issuance costs related to the Senior Notes due 2015.

Income Tax—The Company recorded a tax provision of \$28 million, representing an effective tax rate of 7.5% on pre-tax income of \$375 million in the Successor period. In the four months ended April 30, 2010, the Company recorded a tax benefit of \$693 million, representing an effective tax rate of (8.9)% on pre-tax income of \$7,811 million. In the first six months of 2009 the Company recorded a tax benefit of \$519 million, representing an effective tax rate of 27.5% on a pre-tax loss of \$1,889 million. The provision for the Successor period differs from the U.S. statutory rate of 35% primarily due to the fact that in several countries the Company generated either income or losses where no tax expense or benefit was recorded due to valuation allowances on deferred tax assets in those countries. The tax provision for the Predecessor period included in the first six months of 2010 differs from the statutory rate primarily because a significant portion of the pre-tax gain from the discharge of pre-petition liabilities will not result in future tax liabilities, which was somewhat offset by restructuring charges for which no tax benefit was provided. The tax benefit recorded for the first six months of 2009 was lower than the statutory rate primarily due to restructuring costs for which no tax benefit was provided.

Net Income (Loss)—Combined net income for the Company, which includes the impact of the Company’s reorganization and adoption of fresh-start accounting discussed above in “Emergence from Chapter 11 Proceedings,” was \$8,843 million in the second quarter 2010, while the Predecessor had a loss of \$353 million in the second quarter 2009. The following table summarizes the major components contributing to net income (loss):

	Successor	Predecessor	
	May 1 through June 30, 2010	April 1 through April 30, 2010	Three months ended June 30, 2009
Millions of dollars			
Operating income	\$ 422	\$ 323	\$ 89
Interest expense, net	(120)	(299)	(498)
Other income (expense), net	54	(65)	71
Income from equity investments	27	29	22
Reorganization items	(8)	7,803	(124)
Provision for (benefit from) income taxes	28	(705)	(87)
Net income (loss)	\$ 347	\$ 8,496	\$ (353)

Combined net income for the Company, which includes the impact of the Company’s reorganization and adoption of fresh-start accounting discussed above in “Emergence from Chapter 11 Proceedings,” was \$8,851 million in the first six months of 2010, while the Predecessor had a net loss of \$1,370 million in the first six months of 2009.

	Successor	Predecessor	
	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
Millions of dollars			
Operating income (loss)	\$ 422	\$ 690	\$ (52)
Interest expense, net	(120)	(708)	(923)
Other income (expense), net	54	(265)	156
Income from equity investments	27	84	2
Reorganization items	(8)	8,010	(1,072)
Provision for (benefit from) income taxes	28	(693)	(519)
Net income (loss)	\$ 347	\$ 8,504	\$ (1,370)

Segment Analysis

LyondellBasell N.V.’s operations are primarily in five reportable segments: O&P–Americas; O&P–EAI; I&D; Refining and Oxyfuels; and Technology. These operations comprise substantially the same businesses owned and operated by LyondellBasell AF prior to the Company’s emergence from bankruptcy. However, for accounting

purposes, the operations of LyondellBasell AF are deemed to have ceased on April 30, 2010 and LyondellBasell N.V. is deemed to have begun operations on that date. The results of operations for the Successor are not comparable to the Predecessor due to adjustments made under fresh-start accounting as described in “—Emergence from Chapter 11 Proceedings.” The impact of these items is addressed in the discussion of each segment’s results below.

The following tables reflect selected financial information for LyondellBasell N.V.’s reportable segments. Operating income (loss) for segment reporting is on a LIFO basis for the Successor and on a current cost basis for the Predecessor.

	Successor	Predecessor		Successor	Predecessor	
	May 1 through June 30, 2010	April 1 through April 30, 2010	Three months ended June 30, 2009	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
Millions of dollars						
Sales and other operating revenues:						
O&P–Americas segment	\$ 2,004	\$ 1,163	\$ 2,037	\$ 2,004	\$ 4,183	\$ 3,615
O&P–EAI segment	2,140	1,066	2,170	2,140	4,105	3,889
I&D segment	940	504	810	940	1,820	1,571
Refining and Oxyfuels segment	2,403	1,333	3,167	2,403	4,748	5,432
Technology segment	75	35	150	75	145	266
Other, including intersegment eliminations	(790)	(389)	(835)	(790)	(1,534)	(1,374)
Total	\$ 6,772	\$ 3,712	\$ 7,499	\$ 6,772	\$13,467	\$13,399
Operating income (loss):						
O&P–Americas segment	\$ 149	\$ 175	\$ 69	\$ 149	\$ 320	\$ (32)
O&P–EAI segment	114	44	2	114	115	(72)
I&D segment	109	34	41	109	157	119
Refining and Oxyfuels segment	14	29	(80)	14	(99)	(124)
Technology segment	23	8	67	23	39	117
Other, including intersegment eliminations	13	18	(28)	13	(41)	(37)
Current cost adjustment	--	15	18	--	199	(23)
Total	\$ 422	\$ 323	\$ 89	\$ 422	\$ 690	\$ (52)
Income (loss) from equity investments:						
O&P–Americas segment	\$ 3	\$ 1	\$ 2	\$ 3	\$ 5	\$ --
O&P–EAI segment	25	28	25	25	80	14
I&D segment	(1)	--	(5)	(1)	(1)	(12)
Total	\$ 27	\$ 29	\$ 22	\$ 27	\$ 84	\$ 2

Olefins and Polyolefins—Americas Segment

Overview—In its O&P—Americas segment, LyondellBasell N.V. manufactures and markets olefins, including ethylene and its co-products, primarily propylene, butadiene and aromatics, which include benzene and toluene, as well as ethanol; and polyolefins, which include polyethylene, comprising high density polyethylene (“HDPE”), low density polyethylene (“LDPE”) and linear low density polyethylene (“LLDPE”), and polypropylene and *Catalloy* process resins. The manufacturing and marketing is generally in the Americas, which includes the U.S., Canada, Mexico and South America.

Market demand in the U.S. for ethylene was higher during the second quarter and first six months of 2010 resulting in higher industry operating rates compared to rates experienced during the second quarter and first six months of 2009. Ethylene margins were higher as benchmark sales prices increased significantly more than the benchmark weighted average cost of ethylene production. These margins were strengthened further by higher prices for co-products propylene and butadiene. Ethylene prices and margins peaked in March 2010 but remained at high levels compared to the first six months of 2009. Demand for polyolefins in the second quarter and first six months of 2010 was comparable to the second quarter and first six months of 2009 as export declines were offset by improved domestic demand.

The O&P—Americas segment operating results in the second quarter and first six months of 2010 primarily reflected strong demand and higher margins for ethylene, fueled by unplanned operating issues at competitor facilities. Higher monomer prices negatively affected margins for polyolefins in the first quarter 2010 periods but margins began to improve in the second quarter 2010 as monomer prices peaked and utility prices declined. Polypropylene results, which were relatively unchanged in the second quarter 2010, increased modestly in the first six months of 2010 compared to the same periods in 2009. Operating results for the Successor period included in the second quarter and first six months of 2010 also reflected the impacts of the Company’s reorganization and fresh-start accounting, including a non-cash charge to adjust inventory to market value and the benefit of lower depreciation and amortization expense related to the write-down of segment assets (see “Results of Operations—Cost of Sales”).

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

- crude oil-based liquids (“liquids” or “heavy liquids”), including naphthas, condensates, and gas oils, the prices of which are generally related to crude oil prices; and
- natural gas liquids (“NGLs”), principally ethane and propane, the prices of which are generally affected by natural gas prices.

Although the prices of these raw materials are generally related to crude oil and natural gas prices, during specific periods the relationships among these materials and benchmarks may vary significantly.

In the U.S., LyondellBasell N.V. has the ability to shift its ratio of raw materials used in the production of ethylene and its co-products to take advantage of the relative costs of heavy liquids and NGLs. During the second quarter and first six months of 2010, production economics for the industry continued to favor NGLs. During the second quarter 2010, approximately 65% of the Company’s U.S. ethylene production was from NGLs, predominantly ethane.

The following table shows the average U.S. benchmark prices for crude oil and natural gas for the applicable three- and six-month periods, as well as benchmark U.S. sales prices for ethylene and propylene, which LyondellBasell N.V. produces and sells or consumes internally. The benchmark weighted average cost of ethylene production, which is reduced by co-product revenues, is based on CMAI's estimated ratio of heavy liquid raw materials and NGLs used in U.S. ethylene production and is subject to revision:

	Average Benchmark Price and Percent Change Versus Prior Year Period Average					
	For the three months ended			For the six months ended		
	June 30,			June 30,		
	2010	2009	Change	2010	2009	Change
Crude oil – dollars per barrel	78.05	59.79	31%	78.46	51.68	52%
Natural gas – dollars per million BTUs	4.04	3.44	17%	4.70	3.83	23%
Weighted average cost of ethylene production – cents per pound	26.75	24.63	9%	30.57	24.23	26%
United States – cents per pound						
Polyethylene (high density)	84.00	65.00	29%	83.67	62.33	34%
Ethylene	45.58	31.50	45%	48.96	31.50	55%
Polypropylene	89.83	58.50	54%	88.83	55.00	62%
Propylene – polymer grade	63.33	32.00	98%	62.42	28.42	120%

The following table sets forth the O&P–Americas segment's sales and other operating revenues, operating income and selected product sales volumes:

	Successor	Predecessor		Successor	Predecessor	
	May 1 through June 30, 2010	April 1 through April 30, 2010	Three months ended June 30, 2009	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
Millions of dollars						
Sales and other operating revenues	\$ 2,004	\$ 1,163	\$ 2,037	\$ 2,004	\$ 4,183	\$ 3,615
Operating income	149	175	69	149	320	(32)
Income from equity investments	3	1	2	3	5	--
Production Volumes, in millions of pounds						
Ethylene	1,249	749	2,094	1,249	2,768	4,082
Propylene	513	264	731	513	1,019	1,407
Sales Volumes, in millions of pounds						
Polypropylene	449	221	656	449	836	1,197
Polyethylene	850	415	1,342	850	1,754	2,578

Revenues—Revenues for the second quarter 2010 increased by \$1,130 million, or 55%, compared to revenues in the second quarter 2009. For the first six months of 2010, revenues increased by \$2,572 million, or 71%, compared to revenues in the first six months of 2009. The increases in the second quarter and first six months of 2010 compared to the same periods in 2009 were primarily due to the effect of significantly higher average sales prices for most products and for the first six months of 2010, higher sales volumes for ethylene and polypropylene. In the second quarter 2010, higher ethylene sales volumes were substantially offset by a 3% decrease in polyolefins sales volumes due to a scheduled maintenance turnaround at the Company's Morris, Illinois polyolefin plant. The increases in average sales prices and ethylene sales volumes in the 2010 periods were driven by increased demand due to general economic recovery and a decrease in supply resulting from operating issues at competitor plants.

Operating Income (Loss)—Operating income in the second quarter 2010 increased by \$255 million compared to the second quarter 2009 and increased by \$501 million in the first six months of 2010 compared to the first six months of 2009. Operating results for the Successor period were negatively impacted by a \$171 million non-cash charge to adjust inventory at June 30, 2010 to market value, which was lower than the April 30, 2010 value applied during fresh-start accounting. A decrease in depreciation and amortization expense in the Successor period of \$27 million as a result of the Company's revaluation of its assets in fresh-start accounting contributed to lower depreciation and amortization expense in the second quarter and first six months of 2010 of \$46 million and \$48 million, respectively, compared to the second quarter and first six months of 2009.

The remaining increases in the second quarter and first six months of 2010 were primarily due to higher product margins, particularly for ethylene. Ethylene margins in the 2010 periods improved significantly compared to 2009 as higher average sales prices more than offset higher raw material costs. The higher results for ethylene in the first six months of 2010 were minimally offset by lower polyolefin results as higher ethylene prices during the first six months of 2010, negatively impacted polyethylene margins compared to the same period in 2009. Results for polypropylene, including *Catalloy*, also improved in the second quarter 2010 and first six months of 2010 compared to the same periods in 2009 primarily due to lower utility costs.

Second Quarter 2010 versus First Quarter 2010

Operating income of \$324 million in the second quarter 2010 compared to operating income of \$145 million in the first quarter 2010. Operating results for the Successor period included the \$171 million non-cash charge to adjust inventory that had declined in value after the emergence date and a benefit from lower depreciation and amortization expense of \$27 million. The adjustment to inventory and change in depreciation and amortization expense are both a result of fresh-start accounting adjustments made to the inventory and fixed asset balances, respectively, of the O&P-Americas segment. The increase in the results of the segment's underlying operations is primarily due to higher product margins, particularly polyethylene and ethylene. The higher product margins reflected higher average sales prices coupled with lower raw material costs. Polyethylene sales volumes were lower in the second quarter 2010 due in part to a scheduled maintenance turnaround at the Company's Morris, Illinois facility.

Olefins and Polyolefins—Europe, Asia and International Segment

Overview—In its O&P-EAI segment, LyondellBasell N.V. manufactures and markets olefins, including ethylene and propylene, primarily for internal consumption, and butadiene; and polyolefins, which include polyethylene, comprising high density polyethylene ("HDPE"), low density polyethylene ("LDPE") and polypropylene, as well as polypropylene-based compounds, materials and alloys ("PP Compounds"), *Catalloy* process resins and polybutene-1 ("PB-1") polymers. The manufacturing and marketing is generally in Europe, Asia and other regions outside of the Americas with the exception of PP Compounds and PB-1, which are manufactured and marketed globally by the O&P-EAI segment.

Ethylene market demand in Europe was generally higher in the second quarter and first six months of 2010 compared to the same periods in 2009 as planned and unplanned competitor outages resulted in tight supply and higher operating rates in the second quarter of 2010. Global polyolefin markets also improved in the second quarter and first six months of 2010 compared to the 2009 periods. The improvement in polypropylene and LDPE reflected tight supply conditions amid planned and unplanned outages throughout the 2010 periods.

The O&P-EAI segment operating results for the second quarter and first six months of 2010 reflected the effects of higher product margins for olefins and polyolefins, and higher sales volumes for PP Compounds and polypropylene compared to the second quarter and first six months of 2009. The higher sales volumes for PP Compounds were a result of higher demand, primarily from the automotive industry. Operating results for the Successor period included in the second quarter and first six months of 2010 also reflected the impacts of fresh-start accounting, including the benefit of lower depreciation and amortization expense related to the write-down of segment assets and a non-cash charge to adjust inventory to market value (see “Results of Operations—Cost of Sales”).

Ethylene Raw Materials—In Europe, heavy liquids are the primary raw materials for LyondellBasell N.V.’s ethylene production.

The following table shows the average West Europe benchmark prices for Brent crude oil, a heavy liquid raw material, for the applicable periods, as well as benchmark West Europe prices for ethylene and propylene, which LyondellBasell N.V. produces and consumes internally or purchases from unrelated suppliers, and certain polyethylene and polypropylene products:

	Average Benchmark Price and Percent Change Versus Prior Year Period Average					
	For the three months ended			For the six months ended		
	June 30,		Change	June 30,		Change
	2010	2009		2010	2009	
Brent crude oil – dollars per barrel	79.41	66.47	19%	78.61	61.42	28%
Weighted average cost of ethylene production – €0.01 per pound	27.29	23.28	17%	27.98	22.67	23%
Western Europe – €0.01 per pound						
Polyethylene (high density)	53.83	39.92	35%	52.62	38.71	36%
Ethylene	43.70	31.22	40%	42.64	29.11	46%
Polypropylene (homopolymer)	60.33	35.83	68%	55.83	35.08	59%
Propylene	45.06	23.92	88%	42.00	22.41	87%
Average Exchange Rate – \$ US per €	1.2614	1.3615	(7)%	1.3147	1.3330	(1)%

The following table sets forth the O&P–EAI segment’s sales and other operating revenues, operating income, income from equity investments and selected product sales volumes.

	Successor	Predecessor		Successor	Predecessor	
	May 1 through June 30, 2010	April 1 through April 30, 2010	Three months ended June 30, 2009	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
Millions of dollars						
Sales and other operating revenues	\$ 2,140	\$ 1,066	\$ 2,170	\$ 2,140	\$ 4,105	\$ 3,889
Operating income (loss)	114	44	2	114	115	(72)
Income from equity investments	25	28	25	25	80	14
Production Volumes, in millions of pounds						
Ethylene	595	247	926	595	1,108	1,711
Propylene	388	152	567	388	661	1,034
Sales Volumes, in millions of pounds						
Polypropylene	1,183	580	1,749	1,183	2,170	3,340
Polyethylene	811	419	1,234	811	1,783	2,351

Revenues—Revenues for the second quarter 2010 increased by \$1,036 million, or 48%, compared to revenues in the second quarter 2009, while revenues in the first six months of 2010 increased by \$2,356 million, or 61% compared to revenues in the first six months of 2009. The increases in the second quarter and first six months of 2010 compared to the same periods in 2009 were primarily due to the effect of higher average sales prices across most products, particularly ethylene, butadiene and polyethylene, as well as the effect of higher sales volumes. Higher sales volumes for PP Compounds, particularly in Europe, in both 2010 periods were partially offset by lower ethylene sales volumes, compared to the same periods in 2009.

Operating Income (Loss)—The O&P–EAI segment had operating income of \$158 million in the second quarter 2010 compared to \$2 million in the second quarter 2009 and operating income of \$229 million in the first six months of 2010 compared to an operating loss of \$72 million in the first six months of 2009. Operating results for the Successor period were negatively impacted by a \$5 million non-cash charge to adjust inventory at June 30, 2010 to market value, which was lower than the April 30, 2010 value applied during fresh-start accounting. A decrease in depreciation and amortization expense of \$24 million in the Successor period associated with the Company’s revaluation of its assets in fresh-start accounting contributed to lower depreciation and amortization expense of \$40 million and \$28 million, respectively, in the second quarter and first six months of 2010, compared to the same periods in 2009. The remaining increases in the second quarter and first six months of 2010 compared to the second quarter and first six months of 2009 primarily reflect higher product margins for ethylene, polyethylene and PP compounds and higher sales volumes, partially offset by higher fixed costs. Fixed costs in the second quarter and first six months of 2010 increased due to unfavorable currency effects.

Second Quarter 2010 versus First Quarter 2010

The O&P–EAI segment had operating income of \$158 million in the second quarter 2010 compared to operating income of \$71 million in the first quarter 2010. Operating results for the Successor period included a \$5 million non-cash charge to adjust inventory that had declined in value after the emergence date and a benefit from \$24 million of lower depreciation and amortization expense as a result of the fresh-start accounting adjustments related to the valuation of the O&P–EAI segment fixed assets. The increase in the results of the segment’s underlying operations primarily reflects higher product margins and the effect of higher PP Compounds sales volumes, partially offset by higher fixed costs. Product margins in the second quarter were higher across most products, particularly ethylene and polypropylene.

Intermediates and Derivatives Segment

Overview—In its I&D segment, LyondellBasell N.V. manufactures and markets propylene oxide (“PO”); PO co-products, including styrene monomer (“styrene” or “SM”) and the TBA intermediates, tertiary butyl alcohol (“TBA”); isobutylene and tertiary butyl hydroperoxide; PO derivatives, including propylene glycol (“PG”), propylene glycol ethers (“PGE”) and butanediol (“BDO”); ethylene derivatives, including ethylene glycol (“EG”), ethylene oxide (“EO”) and other EO derivatives; acetyls, including vinyl acetate monomer (“VAM”), acetic acid and methanol; and flavors and fragrances.

I&D operating results for the second quarter and first six months of 2010 primarily reflected higher sales volumes for most products and improved results for TBA intermediates, compared to the second quarter and first six months of 2009. The higher sales volumes were primarily due to demand in the second quarter and first six months of 2010 that remained high for PO and PO derivatives, ethylene derivatives and other intermediate chemical products. The propylene oxide business benefited from planned and unplanned competitor downtime as the market for durable goods end-uses strengthened. Operating results for the Successor period included in the second quarter and first six months of 2010 also reflected the impacts of fresh-start accounting, including a non-cash charge to adjust inventory to market value that was offset by the benefit of lower depreciation and amortization expense related to the write-down of segment assets (see “Results of Operations—Cost of Sales”).

Demand for durable goods in the relevant 2009 periods was negatively impacted by inventory corrections and reductions in production in response to market uncertainty during that time. Product margins, which were particularly strong in the 2009 period, were lower in the second quarter and first six months of 2010 due to higher raw materials costs, but have increased through the second quarter as the price of raw materials declined.

In mid-May 2009, LyondellBasell AF restarted one of two PO facilities idled in late 2008 due to lower PO demand. The facility is located in Europe and is part of LyondellBasell N.V.’s joint venture with Bayer (see Note 8 to the Consolidated Financial Statements). The second PO facility restarted in September 2009.

The following table sets forth the Intermediates & Derivatives segment's sales and other operating revenues, operating income, loss from equity investments and selected product sales volumes:

	Successor	Predecessor		Successor	Predecessor	
	May 1 through June 30, 2010	April 1 through April 30, 2010	Three months ended June 30, 2009	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
Millions of dollars						
Sales and other operating revenues	\$ 940	\$ 504	\$ 810	\$ 940	\$ 1,820	\$ 1,571
Operating income	109	34	41	109	157	119
Loss from equity investments	(1)	--	(5)	(1)	(1)	(12)
Sales Volumes, in millions of pounds						
PO and derivatives	516	265	576	516	1,134	1,256
EO and derivatives	157	93	275	157	358	499
Styrene	511	269	514	511	858	908
Acetyls	215	100	311	215	375	525
TBA intermediates	329	141	274	329	613	564

Revenues—Revenues for the second quarter 2010 increased by \$634 million, or 78%, compared to revenues in the second quarter 2009, while revenues for the first six months of 2010 increased by \$1,189 million, or 76%, compared to revenues in the first six months of 2009. The increases in revenue in both 2010 periods were primarily due to higher demand and reflect the effect of higher product sales prices and higher sale volumes across most products, particularly for BDO and TBA intermediates.

Operating Income—The I&D segment operating income in the second quarter 2010 increased by \$102 million compared to the second quarter 2009 and by \$147 million in the first six months of 2010 compared to the first six months of 2009. Operating results for the Successor period were negatively impacted by a \$25 million non-cash charge to adjust inventory at June 30, 2010 to market value, which was lower than the value at April 30, 2010 applied during fresh-start accounting. A decrease in depreciation and amortization expense in the Successor period as a result of the Company's revaluation of its assets in fresh-start accounting resulted in lower depreciation and amortization expense in each of the second quarter and first six months of 2010 of \$23 million, compared to the second quarter and first six months of 2009. The remaining increases in the second quarter and first six months of 2010 reflected the favorable effect of significantly higher sales volumes for PO and PO derivatives and TBA intermediates products, lower fixed costs related to PO and PO derivatives and higher product margins for TBA intermediates, compared to the second quarter and first six months of 2009.

Second Quarter 2010 versus First Quarter 2010

Operating income for the I&D segment of \$143 million in the second quarter 2010 compared to operating income of \$123 million in the first quarter 2010. Operating results for the Successor period were negatively impacted by the \$25 million inventory non-cash adjustment to market value and application of fresh-start accounting. The application of fresh-start accounting also resulted in lower depreciation and amortization expense of \$24 million in the Successor period. The increase in the results of the segment's underlying operations primarily reflects improved performance in the acetyls business, partially offset by the effect of lower PO and PO sales volumes compared to the first quarter 2010. The higher acetyls results were attributable to improved product margins that benefited from lower ethylene and natural gas prices, and the effects of improved plant performance that led to higher sales volumes. Competitor outages and aircraft deicer sales in the first quarter 2010 contributed to PO and PO derivative sales volumes in the first quarter 2010, which were higher when compared to the second quarter 2010.

Refining and Oxyfuels Segment

Overview—In its Refining and Oxyfuels segment, LyondellBasell N.V. produces refined petroleum products, including gasoline, ultra low sulfur diesel, jet fuel, aromatics, lubricants and oxygenated fuels, or oxyfuels, such as methyl tertiary butyl ether (“MTBE”), ethyl tertiary butyl ether (“ETBE”) and alkylate.

LyondellBasell N.V.'s full-conversion Houston refinery processes heavy, high sulfur Venezuelan crude oil supplied under a long-term contract with PDVSA Oil and purchased on the spot market, as well as other heavy crude oils. Under the crude oil contract the refinery purchases up to 215,000 barrels per day of heavy, high sulfur crude oil, which constitutes approximately 80% of its rated crude oil refining capacity of 268,000 barrels per day. The Houston refinery generally purchases the balance of its crude requirements on the spot market.

In the second quarter and first six months of 2010, benchmark heavy crude refining margins averaged higher compared to the second quarter and first six months of 2009, primarily due to an increase in the differential between the cost of heavy and light crude oil.

Refining and Oxyfuels segment operating results in the second quarter and first six months of 2010 compared to the same 2009 periods primarily reflected higher benchmark refining margins and lower crude processing volumes for the Houston refinery. Crude processing volumes for the Berre refinery were also lower in the first six months of 2010 due to maintenance outages in the first quarter 2010. Houston refinery volumes were lower in the second quarter 2010 primarily due to a crude unit fire in May 2010 and were lower in the first six months of 2010 as a result of the crude unit fire and sulfur recovery constraints. Oxyfuels results in both 2010 periods were lower compared to a strong second quarter and first six months of 2009, primarily due to lower margins. Operating results for the Successor period included in the second quarter and first six months of 2010 also reflected the impacts of fresh-start accounting, including a non-cash charge to adjust inventory to market value and the benefit of lower depreciation and amortization expense related to the write-down of segment assets (see “Results of Operations—Cost of Sales”).

The following table sets forth the Refining and Oxyfuels segment's sales and other operating revenues, operating loss and sales volumes for certain gasoline blending components for the applicable three and six month periods:

	Successor	Predecessor		Successor	Predecessor	
	May 1 through June 30, 2010	April 1 through April 30, 2010	Three months ended June 30, 2009	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
<u>Millions of dollars</u>						
Sales and other operating revenues	\$ 2,403	\$ 1,333	\$ 3,167	\$ 2,403	\$ 4,748	\$ 5,432
Operating income (loss)	14	29	(80)	14	(99)	(124)
<u>Sales Volumes, in millions</u>						
Gasoline blending components – MTBE/ETBE (gallons)	159	77	220	159	266	425
<u>Crude processing rates (thousands of barrels per day):</u>						
Houston Refining	152	264	231	152	263	250
Berre Refinery	106	83	93	106	75	90
<u>Market margins – \$ per barrel</u>						
WTI – 2-1-1	10.98	9.41	7.39	10.98	7.50	8.52
WTI Maya	8.80	11.01	4.58	8.80	9.46	4.52
Total	19.78	20.42	11.97	19.78	16.96	13.04
Urals – 4-1-2-1	7.53	6.93	5.69	7.53	6.17	6.32
<u>Market margins – cents per gallon</u>						
ETBE – NWE	64.17	87.10	101.24	64.17	58.46	73.72

Revenues—Revenues for the second quarter 2010 increased by \$569 million, or 18%, compared to the second quarter 2009, while revenues increased by \$1,719 million, or 32%, in the first six months of 2010 compared to the first six months of 2009. The increases were primarily due to higher average sales prices at the Houston refinery, partly offset by the effect of lower sales volumes for refining and oxyfuels products. Crude processing rates for the Houston refinery were lower by 18% and 10%, respectively, in the second quarter and first six months of 2010, compared to the respective 2009 periods, primarily due to the crude unit fire in May 2010. The Berre refinery's crude processing rates were 6% higher in the second quarter 2010 and 4% lower in the first six months 2010 compared to the same 2009 periods.

Operating Income (Loss)—Operating results for the second quarter 2010 increased \$123 million compared to the second quarter 2009. For the first six months of 2010, operating results increased by \$39 million compared to the first six months of 2009. Operating results for the Successor period were negatively impacted by a \$132 million non-cash charge to adjust inventory at June 30, 2010 to market value, which was lower than the April 30, 2010 value applied during fresh-start accounting. A decrease in depreciation and amortization expense of \$81 million in the Successor period as a result of the Company’s revaluation of its assets in fresh-start accounting contributed to lower depreciation and amortization expense of \$88 million and \$90 million, respectively, in the second quarter and first six months of 2010, compared to the second quarter and first six months of 2009. Operating results in both 2010 periods were negatively affected by the crude unit fire, resulting in lost production and \$14 million of cash costs. Operating results in the second quarter and first six months of 2009 included benefits of \$2 million and \$50 million, respectively, from the settlement of hedging activity at the Houston refinery related to distillates. Apart from the effects of the crude unit fire and the 2009 settlement of distillate hedges, increases in the second quarter and first six months of 2010 primarily were primarily due to higher refinery product margins, partially offset by lower product margins for oxyfuels.

Second Quarter 2010 versus First Quarter 2010

The Refining and Oxyfuels segment had operating income of \$43 million in the second quarter 2010 compared to an operating loss of \$128 million in the first quarter 2010. Operating results for the Successor period includes the \$132 million non-cash charge to adjust inventory to market value and \$81 million of lower depreciation and amortization expense. The Successor period also includes the negative effects of lost production and \$14 million of cash costs related to the Houston refinery crude unit fire. Underlying operating results increased primarily due to higher crude refining and oxyfuels margins. The effect of 28% lower crude processing rates in the second quarter 2010 resulting from the crude unit fire at the Houston refinery was mitigated by the purchase of intermediate streams, discounted cargos and favorable timing of transactions, all of which enabled downstream processing units to run closer to full capacity during the outage. Compared to first quarter 2010 crude processing rates, the second quarter rate at the Berre refinery increased by 36% as maintenance activities in the first quarter 2010 were completed.

Technology Segment

Overview—The Technology segment primarily develops and licenses leading polyolefin process technologies and develops, manufactures and sells polyolefin catalysts. LyondellBasell N.V.’s Technology segment, which is largely based in Europe, sells licenses denominated in U.S. dollars and Euros. The mix of U.S. dollar and Euro contracts and the resulting effect of changes in currency exchange rates can have a significant effect on segment results.

The following table sets forth the Technology segment’s sales and other operating revenues and operating income for the applicable three month periods:

	<u>Successor</u>	<u>Predecessor</u>		<u>Successor</u>	<u>Predecessor</u>	
	May 1 through June 30, 2010	April 1 through April 30, 2010	Three months ended June 30, 2009	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
Millions of dollars						
Sales and other operating revenues	\$ 75	\$ 35	\$ 150	\$ 75	\$ 145	\$ 266
Operating income	23	8	67	23	39	117

Revenues—Revenues for the second quarter 2010 decreased by \$40 million, or 27%, compared to the second quarter 2009, while revenues for the first six months of 2010 decreased by \$46 million compared to revenues in the first six months of 2009. The decreases in the second quarter and first six months of 2010 compared to the same 2009 periods were primarily due to lower process license revenue, partially offset by higher catalyst sales volumes. Revenues in the 2010 periods reflected the unfavorable effect of changes in currency exchange rates as the U.S. dollar was stronger relative to the euro compared to the same periods in 2009.

Operating Income—Operating income for the second quarter 2010 decreased \$36 million compared to the second quarter 2009 and decreased \$55 million in the first six months of 2010 compared to the first six months of 2009. Compared to the second quarter and first six months of 2009, operating results for the second quarter and first six months of 2010 benefited from lower depreciation and amortization expense of \$19 million and \$18 million, respectively, due to a decrease in depreciation and amortization expense in the Successor period of \$5 million associated with the Company's revaluation of its assets in fresh-start accounting. The 2009 periods benefited from a \$12 million government R&D subsidy. The remaining decreases were primarily due to the effects of lower licensing revenue and currency exchange effects, partly offset by the effect of higher catalyst sales volumes.

Second Quarter 2010 versus First Quarter 2010

Operating income of \$31 million in the second quarter 2010 was comparable to operating income of \$31 million in the first quarter 2010. The Successor period reflects the benefit of \$5 million of lower depreciation expense resulting from the application of fresh-start accounting. This benefit was offset primarily by higher research and development expense in the second quarter 2010.

FINANCIAL CONDITION

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

<u>Millions of dollars</u>	Successor	Predecessor	
	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
Source (use) of cash:			
Operating activities	\$ 1,104	\$ (936)	\$ (862)
Investing activities	(109)	(213)	(262)
Financing activities	133	3,315	1,020

Operating Activities—Operating activities provided cash of \$168 million in the first six months of 2010 and used cash of \$862 million in the first six months of 2009. Cash provided in the combined first six months of 2010 primarily reflected an increase in earnings offset by payments for reorganization items and certain annual payments relating to sales rebates, employee bonuses, property taxes and insurance premiums. The use of cash in the first six months of 2009 reflected the effects of prepayments required by third parties as a result of the Company's chapter 11 filing and certain annual payments relating to sales rebates, employee bonuses and property taxes.

In the first six months of 2010, the main components of working capital used cash of \$348 million compared to providing cash of \$292 million in the first six months of 2009. The increase in these components of working capital during the first six months of 2010 reflected a \$511 million increase in accounts receivable due to higher average sales prices and higher sales volumes and a \$312 million increase in inventory, partially offset by a \$475 million increase in accounts payable due to the higher costs and volumes of feedstocks, and more favorable payment terms.

The decrease of cash used by the main components of working capital in the first six months of 2009, compared to the first six months of 2008, primarily reflected a \$450 million decrease in inventory as the Company sold finished product from inventory and a \$20 million increase in accounts payable, the effect of which was partially offset by an increase in accounts receivable of \$138 million, for a net benefit of \$292 million. However, working capital in the first six months 2009 was negatively affected by a required payment of \$503 million to terminate an accounts receivable securitization program.

Investing Activities—Investing activities used cash of \$million in the first six months of 2010 and \$262 million in the first six months of 2009. The cash used in the combined 2010 period included \$339 million of capital expenditures, partially offset by \$12 million in proceeds from a money market fund that had suspended rights to redemption in 2008. The cash used in the first six months of 2009 was primarily related to capital expenditures, partially offset by proceeds from the sale of assets and insurance claims related to damages sustained in 2005 at the polymers plant in Münchsmünster, Germany.

The following table summarizes capital expenditures for the periods indicated:

	Successor	Predecessor	
	May 1 through June 30, 2010	January 1 through April 30, 2010	Six months ended June 30, 2009
<u>Millions of dollars</u>			
Capital expenditures by segment:			
O&P–Americas	\$ 50	\$ 52	\$ 63
O&P–EAI	31	102	221
I&D	5	8	7
Refining and Oxyfuels	22	49	60
Technology	3	12	16
Other	2	3	3
Total capital expenditures by segment	113	226	370
Less:			
Contributions to PO Joint Ventures	--	1	--
Consolidated capital expenditures of continuing operations	\$ 113	\$ 225	\$ 370

The above capital expenditures excludes costs of major periodic maintenance and repair activities, including turnarounds and catalyst recharges, of \$71 million and \$25 million, in the Predecessor periods of 2010 and 2009, respectively.

Financing Activities—Financing activities provided cash of \$3,448 million in the first six months of 2010 and \$1,020 million in the first six months of 2009.

The Successor period reflects a net increase in borrowings of \$132 million under the European Securitization facility and a \$2 million payment related to the French Factoring Facility.

As part of its emergence from bankruptcy, the Company received gross proceeds of \$2,800 million on April 30, 2010 in connection with the issuance of Class B ordinary shares in a rights offering and paid \$86 million of fees, including \$70 million of fees to equity backstop providers. On April 30, 2010, the Company also received net

proceeds of \$3,242 million from the issuance of new debt by its subsidiary, Lyondell Chemical, including Senior Secured Notes in the amounts of \$2,250 million and €375 million (\$497 million) and a \$495 million 6-year Senior Term Loan Facility, and paid related fees of \$72 million.

Proceeds from the rights offering and the Senior Notes, along with borrowings under the Senior Term Loan Facility and the amended and restated European Securitization were used to repay outstanding amounts of \$2,167 million under the DIP New Money Term Loan and \$985 million under the DIP ABL Facility and to pay a \$195 million exit fee required under the DIP financing. The Company also paid fees totaling \$92 million in connection with its new U.S. ABL Facility and amended and restated European Securitization facility. Predecessor debt classified as “Liabilities subject to compromise” immediately prior to the emergence from bankruptcy was discharged pursuant to the Plan of Reorganization (see Note 3 to Consolidated Financial Statements).

Apart from the payments reflected above, during the Predecessor period, the Company repaid a \$5 million Argentinean loan, made a \$12 million mandatory quarterly amortization payment of the Dutch Tranche A Dollar Term Loan, \$3 million of which was related to the DIP Roll-Up Loans, and also made payments of \$8 million on the French Factoring Facility. In addition, the Company made payments totaling \$13 million related to the extension of the DIP financing. The Company also had a net increase in borrowings of \$47 million under the European Securitization facility in the 2010 Predecessor period.

In the first six months of 2009, LyondellBasell AF borrowed \$2,167 million under the Term Loan portion of the DIP financing, receiving net proceeds of \$2,089 million and subsequently paid additional bank fees of \$68 million. In addition, the Company had net borrowings outstanding under the DIP ABL facility of \$300 million, and paid fees related to the facility of \$93 million. The Company also made net repayments of \$339 million, related to the European receivables securitization program, which was amended and restated in March 2009.

The chapter 11 filing in 2009 constituted a termination event under the then existing asset-based credit facilities in the U.S., and LyondellBasell AF used \$880 million of the net proceeds under the DIP financing to repay \$766 million and \$114 million outstanding under an inventory-based credit facility and a North American accounts receivable securitization program, respectively, and, as noted under Operating Activities, used \$503 million to repurchase outstanding accounts receivable sold under the Company’s previous receivables securitization facility. In addition, LyondellBasell AF repaid a \$100 million demand note related to emergency postpetition funding, \$45 million (70 million Australian dollars) outstanding under an Australian term loan and made net repayments of \$339 million, related to the European receivables securitization program. During the first six months of 2009, the Company also made a mandatory quarterly amortization payment of the Dutch Tranche A Dollar Term Loan totaling \$12 million, \$3 million of which was related to the DIP Roll-Up Loans, and borrowed \$9 million related to a letter of credit presented for payment under the Senior Secured Revolving Credit Facility. The Company also had other cash provided from financing activities of \$59 million, which primarily reflected the effects of bank overdrafts.

Liquidity and Capital Resources—As of June 30, 2010, LyondellBasell N.V. had cash on hand of \$3,753 million and total unused availability of \$1,224 million under its \$1,750 million U.S. ABL facility, which matures in 2014. Availability under the U.S. ABL facility is subject to a borrowing base of \$1,750 million at June 30, 2010, and is reduced to the extent of outstanding borrowings and outstanding letters of credit provided under the facility. At June 30, 2010, LyondellBasell N.V. had \$526 million of outstanding letters of credit and no outstanding borrowings under the facility.

LyondellBasell N.V. plans to finance its ongoing working capital, capital expenditures, debt service and other funding requirements through its future financial and operating performance, which could be affected by general economic, financial, competitive, legislative, regulatory, business and other factors, many of which are beyond its control. LyondellBasell N.V. believes that conditions will be such that cash on hand and cash flows from operations, borrowings under the U.S. ABL Facility, the European Securitization and other receivables securitization and financing arrangements will be adequate to meet anticipated future cash requirements.

The consummation of the Debtors’ Plan of Reorganization created a significantly de-levered capital structure. At June 30, 2010, LyondellBasell N.V. had total short-term and long-term debt, including current maturities, of \$7,310 million.

In conjunction with the Company's emergence from chapter 11, LyondellBasell N.V., through its wholly owned subsidiary, LBI Escrow Corporation ("LBI Escrow"), issued \$3,247 million of first priority debt, including \$2,250 million and €375 million (\$497 million) offerings of senior secured notes in a private placement and borrowings of \$500 million under a senior secured term loan facility. On April 30, 2010, Lyondell Chemical was merged with and replaced LBI Escrow as issuer of the senior secured notes and the senior secured term loan facility. The net proceeds from the sale of the notes and borrowings under the term loan, together with the amended and restated European securitization facility, and proceeds from the \$2,800 million rights offering, were used to repay and replace certain existing debt, including the DIP financing arrangements of LyondellBasell AF and an existing European securitization facility, and to make certain related payments.

Rights Offering—As part of the emergence from chapter 11 proceedings, 563.8 million shares of common stock of LyondellBasell N.V. were issued under the Plan of Reorganization, including 300 million shares of Class A common stock issued in exchange for allowed claims. An additional 1.8 million share of Class A common stock was issued to certain senior management under LyondellBasell N.V.'s Long-Term Incentive Plan. LyondellBasell N.V. received gross proceeds of \$2,800 million for 263.9 million shares of Class B ordinary shares issued in a rights offering. In connection with the rights offering, LyondellBasell N.V. paid \$70 million of fees to the equity backstop providers.

Senior Secured Notes—On April 8, 2010, LBI Escrow issued \$2,250 million of 8% senior secured notes due 2017 and €375 million of senior secured notes due 2017 (collectively, the "Senior Secured Notes"), and paid related fees of \$62 million. Interest on the Senior Secured Notes will accrue at a rate of 8% per annum and will be payable on May 1 and November 1 beginning on November 1, 2010. As noted above, Lyondell Chemical was merged with and replaced LBI Escrow as the issuer of the Senior Secured Notes.

The Senior Secured Notes are jointly and severally, and fully and unconditionally guaranteed by LyondellBasell N.V. and, subject to certain exceptions, each existing and future wholly owned U.S. restricted subsidiary of LyondellBasell N.V. (other than Lyondell Chemical, as issuer), other than any such subsidiary that is a subsidiary of a non-U.S. subsidiary (the "Subsidiary Guarantors" and, together with LyondellBasell N.V., the "Guarantors").

The Senior Secured Notes rank equally in right of payment with all existing and future senior debt of Lyondell Chemical and the Guarantors, except that the notes and guarantees rank junior to obligations of LyondellBasell N.V. subsidiaries that do not guarantee the Senior Secured Notes.

The Senior Secured Notes and guarantees are secured by:

- a first priority lien on substantially all of Lyondell Chemical's and the Subsidiary Guarantors' existing and future property and assets other than the assets securing the U.S. ABL Facility;
- a first priority lien on the capital stock of all Guarantors (other than any such subsidiary that is a subsidiary of a non-U.S. subsidiary); and
- a first priority lien on 65% of the capital stock and 100% of the non-voting capital stock of the first-tier non-U.S. subsidiaries of Lyondell Chemical or of LyondellBasell N.V.;
- a second-priority lien on the accounts receivables, inventory, related contracts and other rights and assets related to the foregoing and proceeds thereof that secure the U.S. ABL Facility on a first priority basis;

subject, in each case, to certain exceptions, including permitted liens.

The Senior Secured Notes are redeemable by Lyondell Chemical prior to maturity at certain specified redemption premiums, depending on when the notes are redeemed.

The Senior Secured Notes contains covenants, subject to certain restrictions, that restrict, among other things,

- debt and lien incurrences;

- investments;
- certain restricted payments;
- sales of assets and mergers; and
- affiliate transactions.

Several of the restrictive covenants would be suspended if LyondellBasell N.V. receives an investment grade rating from two rating agencies. The Senior Secured Notes do not require LyondellBasell N.V. to maintain compliance with any specific financial covenants.

Senior Term Loan Facility—On April 8, 2010, LBI Escrow entered into a six-year, \$500 million senior term loan facility (the “Senior Term Loan Facility”) and received net proceeds of \$495 million. Lyondell Chemical became the issuer under the facility in connection with its merger with LBI Escrow.

Borrowings under the Senior Term Loan Facility will bear interest at either (a) a LIBOR rate adjusted for certain additional costs or (b) a base rate determined by reference to the highest of the administrative agent’s prime rate, the federal funds effective rate plus 0.5%, or one-month LIBOR plus 1.0% (the “Base Rate”), in each case plus an applicable margin.

The Senior Term Loan is guaranteed, jointly and severally, and fully and unconditionally, on a senior secured basis, initially by the Guarantors. Subject to permitted liens and other exceptions, Lyondell Chemical’s obligations and guarantees will be secured on a *pari passu* basis with the Senior Secured Notes by perfected first priority security interests in the collateral securing the Senior Secured Notes and by a second priority security interest in the collateral securing the ABL Facility described below.

The Senior Term Loan Facility contains covenants that are substantially similar to the Senior Secured Notes. The Senior Term Loan Facility does not require LyondellBasell N.V. to maintain compliance with any specific financial covenants.

U.S. ABL Facility—On April 8, 2010, LyondellBasell N.V. entered into a \$1,750 million U.S. asset-based lending facility (the “U.S. ABL Facility”), under which funds were available upon emergence from bankruptcy to certain subsidiaries of LyondellBasell N.V., which are borrowers under the facility. Letters of credit in the amount of \$625 million that were outstanding under the DIP ABL Facility at the Emergence Date were transferred to the new U.S. ABL Facility.

Borrowings under the U.S. ABL Facility bear interest at the Base Rate or LIBOR, plus an applicable margin, and the lenders are paid a commitment fee on the average daily unused commitments.

Obligations under the U.S. ABL Facility are guaranteed jointly and severally, and fully and unconditionally, on a senior secured basis, by the Guarantors (except, in the case of any Guarantor that is a borrower under the facility, to the extent of its own obligations in its capacity as a borrower). The borrowers’ obligations under the U.S. ABL Facility and the related guarantees are secured by (i) a first priority perfected lien on all present and after-acquired inventory, accounts receivable, related contracts and other rights, deposit accounts into which proceeds of the foregoing are credited and books and records related thereto, together with all proceeds of the foregoing, in each case to the extent the rights, title and interest therein of any ABL borrowers and (ii) a second priority perfected lien on the Senior Secured Notes and Senior Term Loan collateral.

Mandatory prepayments of the loans under the U.S. ABL Facility will be made from net cash proceeds from certain sales of collateral securing the facility and insurance and condemnation awards involving the facility.

The U.S. ABL contains covenants that are substantially similar to the Senior Secured Notes.

In addition, in the event the excess availability under the U.S. ABL Facility falls below \$300 million for five consecutive business days or below \$250 million on any business day, LyondellBasell N.V. is required to comply with a minimum fixed charge coverage ratio of not less than 1.00 to 1.00, measured quarterly. The fixed charge coverage ratio is defined in the facility generally as the ratio of earnings before interest, taxes, depreciation and amortization to consolidated interest expense plus dividends on preferred or other preferential stock. The availability under the U.S. ABL Facility was \$1,224 million as of June 30, 2010.

Plan Roll-Up Notes—On April 30, 2010, Lyondell Chemical issued \$3,240 million of 11% senior secured roll-up notes due 2018 (the “Plan Roll-up Notes”) in exchange for roll-up loans incurred under the Bankruptcy Cases. The Plan Roll-up Notes are guaranteed by the same Guarantors that support the Senior Secured Notes, the Senior Term Loan Facility and the U.S. ABL Facility.

The Plan Roll-up Notes are secured by the same security package as the Senior Secured Notes, the Senior Term Loan Facility and the U.S. ABL Facility on a third-priority basis.

Receivables securitization —On May 4, 2010, LyondellBasell N.V. amended and restated its existing securitization agreement under which two non-U.S. subsidiaries of LyondellBasell N.V. may sell up to €450 million in trade receivables. Transfers of accounts receivable under this program do not qualify as sales; therefore, the transferred accounts receivable and the proceeds received through such transfers are included in trade receivables, net, and short-term debt in the consolidated balance sheets. At June 30, 2010, the amount outstanding under the facility was \$503 million.

Accounts Receivable Factoring Agreement—On October 8, 2009, a non-U.S. subsidiary of LyondellBasell AF entered into an accounts receivable factoring facility for up to €100 million. The factoring facility is for an indefinite period, non-recourse, unsecured and terminable by either party subject to notice. At June 30, 2010, \$11 million was outstanding under the accounts receivable factoring agreement.

ACCOUNTING AND REPORTING CHANGES

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