LyondellBasell Industries N.V.
Form 10-Q
July 28, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015

or

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

Commission file number: **001-34726**

LYONDELLBASELL INDUSTRIES N.V.

(Exact name of registrant as specified in its charter)

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

1221 McKinney St., Suite 300	**4th Floor, One Vine Street**	**Delftseplein 27E**
Houston, Texas	**London**	**3013 AA Rotterdam**
USA 77010	**W1J0AH**	**The Netherlands**
	The United Kingdom	

(Addresses of registrant s principal executive offices)

(713) 309-7200 **+44 (0) 207 220 2600** **+31 (0)10 275 5500**

(Registrant s telephone numbers, including area codes)

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

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

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

Large accelerated filer [x] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [ ]

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

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

The registrant had 465,874,707 ordinary shares, 0.04 par value, outstanding at July 23, 2015 (excluding 112,560,176 treasury shares).

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

LYONDELLBASELL INDUSTRIES N.V.

CONSOLIDATED STATEMENTS OF INCOME

Millions of dollars, except earnings per share	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Sales and other operating revenues:				
Trade	$ 8,931	$ 11,924	$ 16,932	$ 22,842
Related parties	214	193	398	410
	9,145	12,117	17,330	23,252
Operating costs and expenses:				
Cost of sales	7,047	10,255	13,426	19,832
Selling, general and administrative expenses	228	215	433	401
Research and development expenses	25	34	51	66
	7,300	10,504	13,910	20,299
Operating income	1,845	1,613	3,420	2,953
Interest expense	(79)	(96)	(148)	(188)
Interest income	7	7	18	13
Other income, net	4	6	25	17
Income from continuing operations before equity investments and income taxes	1,777	1,530	3,315	2,795
Income from equity investments	90	68	159	129
Income from continuing operations before income taxes	1,867	1,598	3,474	2,924
Provision for income taxes	541	425	981	808
Income from continuing operations	1,326	1,173	2,493	2,116
Income from discontinued operations, net of tax	3	3	- -	4
Net income	1,329	1,176	2,493	2,120
Net loss attributable to non-controlling interests	1	2	3	3
Net income attributable to the Company shareholders	$ 1,330	$ 1,178	$ 2,496	$ 2,123
Earnings per share:				

Net income attributable to the Company shareholders								
Basic:								
Continuing operations	$	2.81	$	2.24	$	5.24	$	3.96
Discontinued operations		0.01		0.01		- -		0.01
	$	2.82	$	2.25	$	5.24	$	3.97
Diluted:								
Continuing operations	$	2.81	$	2.22	$	5.22	$	3.93
Discontinued operations		0.01		0.01		- -		0.01
	$	2.82	$	2.23	$	5.22	$	3.94

See Notes to the Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2015**	**2014**	**2015**	**2014**
Net income	$ 1,329	$ 1,176	$ 2,493	$ 2,120
Other comprehensive income, net of tax				
Financial derivatives:				
Gain (loss) on forward-starting interest rate swaps	95	- -	80	(17)
Gain (loss) on cross-currency swaps	(70)	- -	197	- -
Reclassification adjustment included in net income	67	- -	(153)	- -
Income tax expense (benefit)	(1)	- -	64	(4)
Financial derivatives, net of tax	93	- -	60	(13)
Unrealized gains on available-for-sale securities:				
Unrealized holding gains arising during the period	- -	1	- -	1
Unrealized gains on available-for-sale securities, net of tax	- -	1	- -	1
Defined pension and other postretirement benefit plans:				
Reclassification adjustment for amortization of prior service cost included in net income	1	1	1	2
Net actuarial loss arising during the period	- -	- -	- -	(16)
Reclassification adjustment for net actuarial loss included in net income	7	2	13	5
Defined pension and other postretirement benefit plans, before tax	8	3	14	(9)
Income tax expense (benefit)	2	1	4	(8)
Defined pension and other postretirement benefit plans, net of tax	6	2	10	(1)

Foreign currency translations adjustment:				
Unrealized gain (loss) arising during the period	160	(58)	(351)	(40)
Foreign currency translations, net of tax	160	(58)	(351)	(40)
Total other comprehensive income (loss)	259	(55)	(281)	(53)
Comprehensive income	1,588	1,121	2,212	2,067
Comprehensive loss attributable to non-controlling interests	1	2	3	3
Comprehensive income attributable to the Company shareholders	$ 1,589	$ 1,123	$ 2,215	$ 2,070

See Notes to the Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEETS

Millions of dollars	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,325	$ 1,031
Restricted cash	3	2
Short-term investments	1,989	1,593
Accounts receivable:		
Trade, net	3,179	3,226
Related parties	194	222
Inventories	4,179	4,517
Prepaid expenses and other current assets	1,121	1,054
Total current assets	11,990	11,645
Property, plant and equipment at cost	12,236	12,050
Less: Accumulated depreciation	(3,600)	(3,292)
Property, plant and equipment, net	8,636	8,758
Investments and long-term receivables:		
Investment in PO joint ventures	357	384
Equity investments	1,612	1,636
Other investments and long-term receivables	126	44
Goodwill	543	566
Intangible assets, net	671	769
Other assets	670	481
Total assets	$ 24,605	$ 24,283

See Notes to the Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEETS

Millions of dollars, except shares and par value data	**June 30, 2015**	**December 31, 2014**
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 3	$ 4
Short-term debt	582	346
Accounts payable:		
Trade	2,031	2,239
Related parties	724	825
Accrued liabilities	1,455	1,554
Deferred income taxes	434	469
Total current liabilities	5,229	5,437
Long-term debt	7,728	6,757
Other liabilities	2,063	2,122
Deferred income taxes	1,635	1,623
Commitments and contingencies		
Stockholders equity:		
Ordinary shares, 0.04 par value, 1,275 million shares authorized, 468,081,718 and 486,969,402 shares outstanding, respectively	31	31
Additional paid-in capital	10,232	10,387
Retained earnings	8,569	6,775
Accumulated other comprehensive loss	(1,307)	(1,026)
Treasury stock, at cost, 110,353,165 and 91,463,729 ordinary shares, respectively	(9,598)	(7,853)
Total Company share of stockholders equity	7,927	8,314
Non-controlling interests	23	30
Total equity	7,950	8,344
Total liabilities and equity	$ 24,605	$ 24,283

See Notes to the Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of dollars	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Cash flows from operating activities:		
Net income	$ 2,493	$ 2,120
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	534	510
Amortization of debt-related costs	8	12
Inventory valuation adjustments	83	- -
Equity investments		
Equity income	(159)	(129)
Distributions of earnings, net of tax	101	52
Deferred income taxes	54	51
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(35)	(246)
Inventories	141	(53)
Accounts payable	(212)	142
Prepaid expenses and other current assets	(52)	167
Other, net	(42)	(28)
Net cash provided by operating activities	2,914	2,598
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(584)	(758)
Payments for repurchase agreements	(397)	(275)
Proceeds from repurchase agreements	250	75
Purchases of available-for-sale securities	(1,468)	(1,573)
Proceeds from sales and maturities of available-for-sale securities	997	272
Change in restricted cash	(1)	8
Other, net	33	(6)
Net cash used in investing activities	(1,170)	(2,257)
Cash flows from financing activities:		
Repurchases of Company ordinary shares	(2,137)	(3,067)
Dividends paid	(702)	(697)
Issuance of long-term debt	984	992
Net proceeds from commercial paper	238	- -
Payments of debt issuance costs	(12)	(18)
Other, net	207	23

Net cash used in financing activities		(1,422)		(2,767)
Effect of exchange rate changes on cash		(28)		6
Increase (decrease) in cash and cash equivalents		294		(2,420)
Cash and cash equivalents at beginning of period		1,031		4,450
Cash and cash equivalents at end of period	$	1,325	$	2,030

See Notes to the Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

Millions of dollars	Ordinary Shares Issued	Ordinary Shares Treasury	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Company Share of Stockholders Equity	Non-Controlling Interests
Balance, December 31, 2014	$ 31	$ (7,853)	$ 10,387	$ 6,775	$ (1,026)	$ 8,314	$ 30
Net income (loss)	- -	- -	- -	2,496	- -	2,496	(3)
Other comprehensive loss	- -	- -	- -	- -	(281)	(281)	- -
Share-based compensation	- -	357	(187)	- -	- -	170	- -
Dividends ($1.48 per share)	- -	- -	- -	(702)	- -	(702)	- -
Repurchases of Company ordinary shares	- -	(2,102)	- -	- -	- -	(2,102)	- -
Settlement from partner on exit from partnership	- -	- -	32	- -	- -	32	(4)
Balance, June 30, 2015	$ 31	$ (9,598)	$ 10,232	$ 8,569	$ (1,307)	$ 7,927	$ 23

See Notes to the Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of Presentation

LyondellBasell Industries N.V., together with its consolidated subsidiaries (collectively LyondellBasell N.V.), is a worldwide manufacturer of chemicals and polymers, a refiner of crude oil, a significant producer of gasoline blending components and a developer and licensor of technologies for production of polymers. Unless otherwise indicated, the Company, we, us, our or similar words are used to refer to LyondellBasell N.V.

The accompanying Consolidated Financial Statements are unaudited and have been prepared from the books and records of LyondellBasell N.V. in accordance with the instructions to Form 10-Q and Rule 10-1 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States (U.S. GAAP) for complete financial statements. In our opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2014.

2. Accounting and Reporting Changes

Recently Adopted Guidance

Repurchase Agreements In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-11*, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosure*, which changes the accounting for repurchase-to-maturity transactions and other similar transactions. The amendments in this ASU require repurchase-to-maturity transactions to be accounted for as secured borrowings rather than as sales with forward repurchase commitments. In addition, this ASU requires new and expanded disclosures about repurchase agreements and other similar transactions. The amendments in this update were effective for interim and annual periods beginning after December 15, 2014. The adoption of this amendment did not have a material impact on our Consolidated Financial Statements.

Accounting Guidance Issued But Not Adopted as of June 30, 2015

Revenue Recognition In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the current revenue recognition requirements in Accounting Standard Codification (ASC) 606, *Revenue Recognition.* Under this guidance, entities should recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. This ASU also requires enhanced disclosures. The amendments in this ASU were to be effective for annual and interim periods beginning after December 15, 2016. Retrospective and modified retrospective application is allowed. In July 2015, the FASB approved the proposal to defer the original effective date for one year until December 15, 2017. We are currently assessing the impact of this amendment on our Consolidated Financial Statements.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Extraordinary and Unusual Items In January 2015, the FASB issued ASU 2015-01, *Income Statement Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items,* which eliminates the concept of extraordinary items. Under this new guidance, entities will no longer be required to separately classify, present and disclose extraordinary events and transactions. The amendments in this update are effective for annual and interim periods beginning after December 15, 2015. The application of this amendment is not expected to have a material impact on our Consolidated Financial Statements.

Consolidation In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, which amends and changes the consolidation analysis currently required under U.S. GAAP. This ASU modifies the process used to evaluate whether limited partnerships and similar entities are variable interest entities (VIEs) or voting interest entities; affects the analysis performed by reporting entities regarding VIEs, particularly those with fee arrangements and related party relationships; and provides a scope exception for certain investment funds. The amendments in this update are effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. We are currently assessing the impact of this amendment on our Consolidated Financial Statements.

Debt Issuance Costs In April 2015, the FASB issued ASU 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.* Under this new guidance, entities will be required to present debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of that debt, consistent with the current treatment of debt discounts. The amendments in this update, which should be applied retrospectively, are effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The application of this amendment is not expected to have a material impact on our Consolidated Financial Statements.

Fair Value Measurement In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).* The amendments in this ASU eliminate the requirement for investments measured using the net asset value per share practical expedient to be categorized in the fair value hierarchy. Additionally, reporting entities will no longer be required to make certain disclosures for investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The amendments in this update, which should be applied retrospectively, are effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The

application of this amendment is not expected to have a material impact on our Consolidated Financial Statements.

Inventories In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory.* Under this new guidance, entities that measure inventory using any method other than last-in, first-out or the retail inventory method will be required to measure inventory at the lower of cost and net realizable value. The amendments in this ASU, which should be applied prospectively, are effective for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. We are currently assessing the impact of this amendment on our Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Discontinued Operations

The amounts included in Income from discontinued operations of the Berre refinery are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2015**	**2014**	**2015**	**2014**
Sales and other operating revenues	$ - -	$ - -	$ 1	$ 1
Income (loss) from discontinued operations before income taxes	$ 3	$ 7	$ (2)	$ 7
Provision (benefit) for income taxes	- -	4	(2)	3
Income from discontinued operations, net of tax	$ 3	$ 3	$ - -	$ 4

Future cash outflows will occur for exit or disposal activities and for payments made to severed employees. Exit and disposal costs are expected to be incurred through the end of 2017. Payments to the affected employees are expected to be substantially complete by 2019. There is uncertainty in the manner, scope and timing of potential future asset disposal or dismantlement activities and their related cash flows. Although some dismantling and remediation activities may be considered or required at a future date, the amounts associated with such activities are not determinable at this time due to such uncertainties.

The following table summarizes the changes in the accrual for the social plan for employees affected by the closure of the Berre refinery:

	Six Months Ended June 30,	
Millions of dollars	**2015**	**2014**
Beginning balance	$ 26	$ 42
Cash payments	(5)	(7)
Effect of exchange rate changes	(2)	- -

Ending balance	$ 19	$ 35

There are no significant assets or liabilities related to the Berre refinery other than those discussed above.

4. Accounts Receivable

Our allowance for doubtful accounts receivable, which is reflected in the Consolidated Balance Sheets as a reduction of accounts receivable, totaled $24 million and $29 million at June 30, 2015 and December 31, 2014, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Inventories

Inventories consisted of the following components:

Millions of dollars		June 30, 2015		December 31, 2014
Finished goods	$	2,744	$	2,919
Work-in-process		167		304
Raw materials and supplies		1,268		1,294
Total inventories	$	4,179	$	4,517

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

6. Debt

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

Millions of dollars		June 30, 2015		December 31, 2014
Senior Notes due 2019, $2,000 million, 5.0%	$	1,980	$	1,993
Senior Notes due 2021, $1,000 million, 6.0%		1,000		1,000
Senior Notes due 2024, $1,000 million, 5.75%		1,000		1,000
Senior Notes due 2055, $1,000 million, 4.625% ($16 million of discount)		984		- -
Guaranteed Notes due 2044, $1,000 million, 4.875% ($11 million of discount)		989		988
Guaranteed Notes due 2023, $750 million, 4.0% ($8 million of discount)		742		741
Guaranteed Notes due 2043, $750 million, 5.25% ($22 million of discount)		728		728
Guaranteed Notes due 2027, $300 million, 8.1%		300		300
Other		8		11
Total		7,731		6,761
Less current maturities		(3)		(4)

Long-term debt	$	7,728	$	6,757

At June 30, 2015, our 5% Senior Notes due 2019 include gains of $22 million and $13 million related to adjustments for our fixed-for-floating interest rate swaps, which are recognized in Interest expense in the Consolidated Statements of Income for the three and six months ended June 30, 2015, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Millions of dollars	June 30, 2015		December 31, 2014	
$2,000 million Senior Revolving Credit Facility	$	- -	$	- -
$1,000 million U.S. Receivables Securitization Facility		- -		- -
450 million European Receivables Securitization Facility		- -		- -
Commercial paper		500		262
Financial payables to equity investees		4		6
Precious metal financings		77		77
Other		1		1
Total short-term debt	$	582	$	346

Long-Term Debt

Senior Notes due 2055 In March 2015, we issued $1,000 million of 4.625% Notes due 2055 at a discounted price of 98.353%.

These unsecured notes rank equally in right of payment to all of LyondellBasell N.V. s existing and future unsubordinated indebtedness.

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

The notes may be redeemed before the date that is six months prior to the scheduled maturity date at a redemption price equal to the greater of 100% of the principal amount of the notes redeemed and the sum of the present values of the remaining scheduled payments of principal and interest (discounted at the applicable Treasury Yield plus 35 basis points) on the notes to be redeemed. The notes may also be redeemed on or after the date that is six months prior to the final maturity date of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest.

Short-Term Debt

Senior Revolving Credit Facility In June 2015, we entered into an agreement to extend the maturity of our senior revolving credit facility to June 2020. This facility, which may be used for dollar and euro denominated borrowings, has a $700 million sublimit for dollar and euro denominated letters of credit and supports our commercial paper program. The aggregate balance of outstanding borrowings and letters of credit under this facility may not exceed $2,000 million at any given time. Borrowings under the facility bear interest at a Base Rate or LIBOR, plus an applicable margin. Additional fees are incurred for the average daily unused commitments.

The facility contains customary covenants and warranties, including specified restrictions on indebtedness and liens. In addition, we are required to maintain a leverage ratio at the end of every quarter of 3.50 to 1.00 or less for the period covering the most recent four quarters. We are in compliance with these covenants as of June 30, 2015.

At June 30, 2015, availability under this facility, which backs our $2,000 million commercial paper program discussed below, was $1,458 million. Availability under this facility is reduced by outstanding borrowings,

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

outstanding letters of credit provided under the facility and notes issued under our $2,000 million commercial paper program. A small portion of our availability under this facility is impacted by changes in the euro/U.S. dollar exchange rate. At June 30, 2015, we had $500 million of outstanding commercial paper, no outstanding letters of credit and no outstanding borrowings under this facility.

Commercial Paper Program We have a commercial paper program under which we may issue up to $2,000 million of privately placed, unsecured, short-term promissory notes (commercial paper). This program is backed by our $2,000 million Senior Revolving Credit Facility. Proceeds from the issuance of commercial paper may be used for general corporate purposes, including dividends and share repurchases.

U.S. Receivables Securitization Facility Our U.S. accounts receivable securitization facility provides for up to $1,000 million of liquidity through the sale or contribution of trade receivables by certain of our U.S. subsidiaries to a wholly owned, bankruptcy-remote subsidiary on an ongoing basis and without recourse. The bankruptcy-remote subsidiary may then, at its option and subject to a borrowing base of eligible receivables, sell undivided interests in the pool of trade receivables to financial institutions participating in the facility. In the event of liquidation, the bankruptcy-remote subsidiary s assets will be used to satisfy the claims of its creditors prior to any assets or value in the bankruptcy-remote subsidiary becoming available to us. We are responsible for servicing the receivables. This facility also provides for the issuance of letters of credit up to $200 million. At June 30, 2015, there were no borrowings or letters of credit outstanding under the facility. Availability under this facility was $938 million at that date.

Other At June 30, 2015 and December 31, 2014, our weighted average interest rates on outstanding short-term debt were 0.4%.

Debt Discount and Issuance Costs

Amortization of debt discounts and debt issuance costs resulted in amortization expense of $8 million and $12 million in the six months ended June 30, 2015 and 2014, respectively, which is included in Interest expense in the Consolidated Statements of Income.

7. Financial Instruments

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

Market Risks We are exposed to market risks, such as changes in commodity pricing, currency exchange rates and interest rates. To manage the volatility related to these exposures, we selectively enter into derivative transactions pursuant to our risk management policies. Derivative instruments are recorded at fair value on the balance sheet. Gains and losses related to changes in the fair value of derivative instruments not designated as hedges are recorded in

earnings. For derivatives that have been designated as fair value hedges, the gains and losses of the derivatives and hedged instruments are recorded in earnings. For derivatives that have been designated as cash flow hedges, the effective portion of the gains and losses is recorded through other comprehensive income (loss). The ineffective portion of cash flow hedges is recorded in earnings.

Marketable Securities We invest cash in investment-grade securities for periods generally not exceeding two years. Investments in securities with original maturities of three months or less are classified as Cash and cash equivalents. At June 30, 2015 and December 31, 2014, we had marketable securities classified as Cash and cash equivalents of $815 million and $431 million, respectively.

We also have investments in marketable securities classified as available-for-sale. These securities, which are

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

Repurchase Agreements We invest in tri-party repurchase agreements. Under these agreements, we make cash purchases of securities according to a pre-agreed profile from our counterparties. The counterparties have an obligation to repurchase, and we have an obligation to sell, the same or substantially the same securities at a pre-defined date for a price equal to the purchase price plus interest. These securities, which pursuant to our policy are held by a third-party custodian and must generally have a minimum collateral value of 102%, secure the counterparty s obligation to repurchase the securities. Depending upon maturity, these tri-party repurchase agreements are treated as short-term loans receivables reflected in Prepaid expenses and other current assets or as long-term loans receivables reflected in Other investments and long-term receivables on our Consolidated Balance Sheets. The balance of our investment at June 30, 2015 and December 31, 2014 was $497 million and $350 million, respectively.

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

Foreign Currency Rates We have significant worldwide operations. The functional currencies of our consolidated subsidiaries through which we operate are primarily the U.S. dollar and the euro. We enter into transactions denominated in currencies other than our designated functional currencies. As a result, we are exposed to foreign currency risk on receivables and payables. We maintain risk management control policies intended to monitor foreign currency risk attributable to our outstanding foreign currency balances. These control policies involve the centralization of foreign currency exposure management, the offsetting of exposures and the estimating of expected impacts of changes in foreign currency rates on our earnings. We enter into foreign currency forward contracts to reduce the effects of our net currency exchange exposures. At June 30, 2015, foreign currency forward contracts in the notional amount of $443 million, maturing in July 2015 through December 2015, were outstanding.

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, which are reported in the Consolidated Statements of Income, are offset in part by the currency translation results recognized on the assets and liabilities.

Foreign Currency Gain (Loss) Other income, net, in the Consolidated Statements of Income reflected a loss of $4 million and a gain of $4 million for the three and six months ended June 30, 2015 and gains of $2 million and less

than $1 million for the three and six months ended June 30, 2014, respectively.

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

We use the long-haul method to assess hedge effectiveness using a regression analysis approach under the hypothetical derivative method. We perform the regression analysis over an observation period of three years,

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

utilizing data that is relevant to the hedge duration. We use the dollar offset method under the hypothetical derivative method to measure ineffectiveness.

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

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

The following table summarizes our cross-currency swaps outstanding:

			June 30, 2015		December 31, 2014	
Millions of dollars, except expiration date and rates	**Expiration Date**	**Average Interest Rate**	**Notional Value**	**Fair Value**	**Notional Value**	**Fair Value**
Pay Euro	2021	4.55%	$ 1,000	$ 117	$ 1,000	$ 19
Receive U.S. dollars		6.00%				
Pay Euro	2024	4.37%	1,000	115	1,000	16
Receive U.S. dollars		5.75%				
Pay Euro	2027	3.69%	300	3	- -	- -
Receive U.S. dollars		5.49%				

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

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

In February 2014, we entered into forward-starting interest rate swaps with a total notional value of $500 million to hedge the risk of adverse changes in the benchmark interest rates for anticipated fixed-rate debt issuances in 2014. The swap was terminated upon issuance of the $1,000 million of guaranteed notes due 2044.

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

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

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In 2015 and 2014, we recognized a gain of $15 million and a loss of $17 million, respectively, in AOCI related to the settlement of these swap agreements. The related deferred gains and losses recognized in AOCI are amortized to interest expense over the original term of the related swaps using the effective interest method.

As of June 30, 2015, $1 million (on a pretax basis) is scheduled to be reclassified as an increase to interest expense over the next twelve months.

Fixed-for-Floating Interest Rate Swaps In 2014, we entered into U.S. dollar fixed-for-floating interest rate swaps with third party financial institutions to mitigate changes in the fair value of our $2,000 million 5% senior notes due 2019 associated with the risk of variability in the 3 Month USD LIBOR rate (the benchmark interest rate). These interest rate swaps are used as part of our current interest rate risk management strategy to achieve a desired proportion of variable versus fixed rate debt.

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

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

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

At June 30, 2015, we had outstanding interest rate swap agreements with notional amounts of $2,000 million, maturing in April 15, 2019.

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Available-for-Sale Securities The following table summarizes the amortized cost, gross unrealized gains and losses, and fair value of available-for-sale securities measured on a recurring basis that are outstanding as of June 30, 2015 and December 31, 2014. Refer to Note 8 for additional information regarding the fair value of available-for-sale securities.

	June 30, 2015			
Millions of dollars	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Commercial paper	$ 1,541	$ 1	$ - -	$ 1,542
Bonds	247	- -	- -	247
Certificates of deposit	200	- -	- -	200
Total available-for-sale securities	$ 1,988	$ 1	$ - -	$ 1,989

	December 31, 2014			
Millions of dollars	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Commercial paper	$ 1,029	$ 1	$ - -	$ 1,030
Bonds	414	- -	(1)	413
Certificates of deposit	150	- -	- -	150
Total available-for-sale securities	$ 1,593	$ 1	$ (1)	$ 1,593

No losses related to other-than-temporary impairments of our available-for-sale investments have been recorded in Accumulated other comprehensive loss during the six months ended June 30, 2015 and the year ended December 31, 2014.

As of June 30, 2015, the commercial paper securities held by the Company had maturities between less than one and twelve months, bonds had maturities between three and twenty-seven months and certificates of deposit mature between eleven and twenty months.

The proceeds from maturities and sales of our available-for-sale securities during the three and six months ended June 30, 2015 and 2014 are summarized in the following table.

Millions of dollars	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Proceeds from maturities of securities	$ 10	$ 272	$ 182	$ 272
Proceeds from sales of securities	550	- -	815	- -

We recognized realized gains of less than $1 million in connection with the sale of securities during both the three and six months ended June 30, 2015.

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

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The following table summarizes the fair value and unrealized losses related to available-for-sale securities that were in a continuous unrealized loss position for less than and greater than twelve months as of June 30, 2015 and December 31, 2014.

	June 30, 2015			
	Less than 12 months		Greater than 12 months	
Millions of dollars	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Commercial paper	$ 411	$ - -	$ - -	$ - -
Bonds	144	- -	12	- -
Certificates of deposit	150	- -	- -	- -
Total	$ 705	$ - -	$ 12	$ - -

	December 31, 2014			
	Less than 12 months		Greater than 12 months	
Millions of dollars	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Commercial paper	$ 45	$ - -	$ - -	$ - -
Bonds	294	(1)	- -	- -
Certificates of deposit	150	- -	- -	- -
Total	$ 489	$ (1)	$ - -	$ - -

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financial Instruments The following table summarizes financial instruments outstanding as of June 30, 2015 and December 31, 2014 that are measured at fair value on a recurring basis. Refer to Note 8 for additional information regarding the fair value of financial instruments.

		June 30, 2015		December 31, 2014	
Millions of dollars	**Balance Sheet Classification**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Assets					
Derivatives designated as cash flow hedges:					
Cross-currency swaps	Other assets	$ 2,300	$ 227	$ 2,000	$ 30
Cross-currency swaps	Prepaid expenses and other current assets	- -	8	- -	5
Forward-starting interest rate swaps	Other assets	1,000	66	- -	- -
Derivatives designated as fair value hedges:					
Fixed-for-floating interest rate swaps	Other assets	2,000	20	2,000	10
Fixed-for-floating interest rate swaps	Prepaid expenses and other current assets	- -	6	- -	6
Derivatives not designated as hedges:					
Commodities	Prepaid expenses and other current assets	70	21	- -	2
Embedded derivatives	Prepaid expenses and other current assets	77	10	77	3
Foreign currency	Prepaid expenses and other current assets	80	1	107	- -

Non-derivatives:											
Available-for-sale securities	Short-term investments		1,984		1,989		1,587		1,593		
		$	7,511	$	2,348	$	5,771	$	1,649		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

		June 30, 2015		December 31, 2014	
Millions of dollars	**Balance Sheet Classification**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Liabilities					
Derivatives not designated as hedges:					
Commodities	Accrued liabilities	$ 2	$ 2	$ 28	$ 1
Foreign currency	Accrued liabilities	363	4	680	13
Non-derivatives:					
Performance share awards	Accrued liabilities	21	21	22	22
Performance share awards	Other liabilities	13	13	14	14
		$ 399	$ 40	$ 744	$ 50

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

	Effect of Financial Instruments Three Months Ended June 30, 2015			
Millions of dollars	**Gain (Loss) Recognized in AOCI**	**Gain (Loss) Reclassified from AOCI to Income**	**Additional Gain (Loss) Recognized in Income**	**Income Statement Classification**
Derivatives designated as cash-flow hedges:				
Cross-currency swaps	$ (70)	$ 67	$ - -	Other income, net
Forward-starting interest rate swaps	95	- -	1	Interest expense
Derivatives designated as fair value hedges:				
Fixed-for-floating interest rate swaps	- -	- -	(3)	Interest expense
Derivatives not designated as hedges:				

Commodities		- -		- -	12	Sales and other operating revenues
Commodities		- -		- -	8	Cost of sales
Embedded derivatives		- -		- -	4	Cost of sales
Foreign currency		- -		- -	19	Other income, net
	$	25	$	67	$ 41	

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	Three Months Ended June 30, 2014			
Millions of dollars	**Gain (Loss) Recognized in AOCI**	**Gain (Loss) Reclassified from AOCI to Income**	**Additional Gain (Loss) Recognized in Income**	**Income Statement Classification**
Derivatives not designated as hedges:				
Commodities	$ - -	$ - -	$ 7	Cost of sales
Embedded derivatives	- -	- -	(3)	Cost of sales
Foreign currency	- -	- -	3	Other income, net
	$ - -	$ - -	$ 7	

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

	Six Months Ended June 30, 2014			
Millions of dollars	**Gain (Loss) Recognized in AOCI**	**Gain (Loss) Reclassified from AOCI to Income**	**Additional Gain (Loss) Recognized in Income**	**Income Statement Classification**
Derivatives designated as cash-flow hedges:				
Forward-starting interest rate swaps	$ (17)	$ - -	$ (1)	Interest expense
Derivatives not designated as hedges:				
Commodities	- -	- -	7	Cost of sales
Embedded derivatives	- -	- -	(5)	Cost of sales
Foreign currency	- -	- -	5	Other income, net
	$ (17)	$ - -	$ 6	

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

8. Fair Value Measurement

The following table presents the financial instruments outstanding as of June 30, 2015 and December 31, 2014 that are measured at fair value on a recurring basis.

	June 30, 2015			
Millions of dollars	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Derivatives:				
Cross-currency swaps	$ 235	$ - -	$ 235	$ - -
Forward-starting interest rate swaps	66	- -	66	- -
Fixed-for-floating interest rate swaps	26	- -	26	- -
Commodities	21	2	19	- -
Embedded derivatives	10	- -	10	- -
Foreign currency	1	- -	1	- -
Non-derivatives:				
Available-for-sale securities	1,989	- -	1,989	- -
	$ 2,348	$ 2	$ 2,346	$ - -
Liabilities				
Derivatives:				
Commodities	$ 2	$ 2	$ - -	$ - -
Foreign currency	4	- -	4	- -
Non-derivatives:				
Performance share awards	34	34	- -	- -
	$ 40	$ 36	$ 4	$ - -

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	December 31, 2014			
Millions of dollars	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Derivatives:				
Cross-currency swaps	$ 35	$ - -	$ 35	$ - -
Fixed-for-floating interest rate swaps	16	- -	16	- -
Commodities	2	2	- -	- -
Embedded derivatives	3	- -	3	- -
Non-derivatives:				
Available-for-sale securities	1,593	- -	1,593	- -
	$ 1,649	$ 2	$ 1,647	$ - -
Liabilities				
Derivatives:				
Commodities	$ 1	$ 1	$ - -	$ - -
Foreign currency	13	- -	13	- -
Non-derivatives:				
Performance share awards	36	36	- -	- -
	$ 50	$ 37	$ 13	$ - -

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2015 and the year ended December 31, 2014.

The following table presents the carrying value and estimated fair value of our financial instruments that are not measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014. Short-term and long-term loans receivable and short-term and long-term debt are recorded at amortized cost in the Consolidated Balance Sheets. The carrying and fair values of short-term and long-term debt exclude capital leases.

	June 30, 2015				
Millions of dollars	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Non-derivatives:					

Assets:										
Short-term loans receivable	$	396	$	396	$	- -	$	396	$	- -
Long-term loans receivable		101		101		- -		101		- -
Total	$	497	$	497	$	- -	$	497	$	- -
Liabilities:										
Short-term debt	$	77	$	67	$	- -	$	67	$	- -
Long-term debt		7,727		8,247		- -		8,243		4
Total	$	7,804	$	8,314	$	- -	$	8,310	$	4

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	December 31, 2014				
Millions of dollars	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Non-derivatives:					
Assets:					
Short-term loans receivable	$ 350	$ 350	$ - -	$ 350	$ - -
Liabilities:					
Short-term debt	$ 77	$ 74	$ - -	$ 74	$ - -
Long-term debt	6,756	7,529	- -	7,523	6
Total	$ 6,833	$ 7,603	$ - -	$ 7,597	$ 6

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

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

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

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

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

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

The fair value of our commodity swaps classified as Level 2 is determined using a combination of observable and unobservable inputs. The observable inputs consist of future market values of various crude and heavy fuel oils, which are readily available through public data sources. The unobservable input, which is the estimated discount or premium

used in the market pricing, is calculated using an internally-developed, multi-linear regression model based on the observable prices of the known components and their relationships to historical prices. A significant change in this unobservable input would not have a material impact on the fair value measurement of our level 2 commodity swaps.

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

Available-for-Sale Securities Fair value is calculated using observable market data for similar securities and broker quotes from recognized purveyors of market data.

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

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

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

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

9. Pension and Other Postretirement Benefits

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

	U.S. Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2015**	**2014**	**2015**	**2014**
Service cost	$ 11	$ 11	$ 22	$ 22
Interest cost	22	22	43	44
Expected return on plan assets	(37)	(39)	(73)	(78)
Actuarial and investment loss amortization	3	- -	6	- -
Net periodic benefit credits	$ (1)	$ (6)	$ (2)	$ (12)

	Non-U.S. Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2015**	**2014**	**2015**	**2014**
Service cost	$ 8	$ 7	$ 17	$ 15
Interest cost	11	12	20	23
Expected return on plan assets	(7)	(7)	(13)	(13)
Settlements gain	- -	- -	- -	(1)
Prior service cost amortization	1	1	1	2

Actuarial and investment loss amortization	2	1	4	2
Net periodic benefit costs	$ 15	$ 14	$ 29	$ 28

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

	U.S. Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2015**	**2014**	**2015**	**2014**
Service cost	$ 1	$ 1	$ 2	$ 2
Interest cost	3	3	7	7
Actuarial loss amortization	1	- -	1	2
Net periodic benefit costs	$ 5	$ 4	$ 10	$ 11

	Non-U.S. Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2015**	**2014**	**2015**	**2014**
Interest cost	$ - -	$ - -	$ 1	$ 1
Actuarial loss amortization	1	1	2	1
Net periodic benefit costs	$ 1	$ 1	$ 3	$ 2

10. Income Taxes

Our effective income tax rate for the second quarter of 2015 was 29.0% compared with 26.6% for the second quarter of 2014. For the first six months of 2015, the effective income tax rate was 28.2% compared with 27.6% for the first six months of 2014. Our effective tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, the U.S. domestic production activity deduction, changes in valuation allowances and changes in unrecognized tax benefits associated with uncertain tax positions.

Compared with the second quarter of 2014, the higher effective tax rate for the second quarter of 2015 was primarily due to increases in foreign exchange gains, a reduced impact of internal financings due to increased earnings, and decreases in nontaxable income, partially offset by changes in the mix of earnings in countries with varying statutory tax rates. Compared with the first six months of 2014, the effective tax rate for the first six months of 2015 was higher primarily due to changes in return to accrual adjustments and decreases in non-taxable income, partially offset by

increases in internal financing and changes in the mix of earnings in countries with varying statutory tax rates.

A portion of the Company s interest income from internal financing is either untaxed or taxed at rates substantially lower than the U.S. statutory rate. We currently anticipate the favorable treatment for the interest income to continue in the near term; however, this treatment is based on current law and tax rulings, which could change.

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

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11. Commitments and Contingencies

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

Environmental Remediation Our accrued liability for future environmental remediation costs at current and former plant sites and other remediation sites totaled $100 million and $106 million as of June 30, 2015 and December 31, 2014, respectively. At June 30, 2015, the accrued liabilities for individual sites range from less than $1 million to $19 million. The remediation expenditures are expected to occur over a number of years, and not to be concentrated in any single year. In our opinion, it is reasonably possible that losses in excess of the liabilities recorded may have been incurred. However, we cannot estimate any amount or range of such possible additional losses. New information about sites, new technology or future developments such as involvement in investigations by regulatory agencies, could require us to reassess our potential exposure related to environmental matters.

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

	Six Months Ended June 30,	
Millions of dollars	**2015**	**2014**
Beginning balance	$ 106	$ 120
Changes in estimates	3	- -
Amounts paid	(3)	(3)
Foreign exchange effects	(6)	(1)
Other	- -	(2)
Ending balance	$ 100	$ 114

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

recover from Access the return of all amounts earned by the Access Entities related to their purchase of shares of Lyondell Chemical prior to its acquisition by Basell AF S.C.A.; distributions by Basell AF S.C.A. to its shareholders before it acquired Lyondell Chemical; and management and transaction fees and expenses. The trial that was scheduled for October 2011 has been postponed.

The Access Entities have also demanded $100 million in management fees under a 2007 management agreement between an Access affiliate and the predecessor of LyondellBasell AF, as well as other unspecified amounts relating to advice purportedly given in connection with financing and other strategic transactions. In June 2009, an Access affiliate filed a proof of claim in Bankruptcy Court against LyondellBasell AF seeking no less than $723 thousand for amounts allegedly owed under the 2007 management agreement. In April 2011, Lyondell Chemical filed an

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

objection to the claim and brought a declaratory judgment action for a determination that the demands are not valid. The declaratory judgment action is stayed pending the outcome of the *Weisfelner* lawsuit.

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

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

Indemnification We are parties to various indemnification arrangements, including arrangements entered into in connection with acquisitions, divestitures and the formation and dissolution of joint ventures. Pursuant to these arrangements, we provide indemnification to and/or receive indemnification from other parties in connection with liabilities that may arise in connection with the transactions and in connection with activities prior to completion of the transactions. These indemnification arrangements typically include provisions pertaining to third party claims relating to environmental and tax matters and various types of litigation. As of June 30, 2015, we had not accrued any significant amounts for our indemnification obligations, and we are not aware of other circumstances that would likely lead to significant future indemnification obligations. We cannot determine with certainty the potential amount of future payments under the indemnification arrangements until events arise that would trigger a liability under the arrangements.

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

12. Stockholders Equity

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

Millions of dollars, except per share amounts	Dividend Per Ordinary Share	Aggregate Dividends Paid	Date of Record
March	$ 0.70	$ 334	March 2, 2015
June	0.78	368	June 1, 2015

$	1.48	$	702

Share Repurchase Programs During the second quarter of 2015 and 2014, we completed the repurchase of shares under share repurchase programs authorized by our shareholders in April 2014 (April 2014 Share Repurchase Program) and May 2013 (May 2013 Share Repurchase Program), respectively. We were authorized to purchase up to 10% of our outstanding shares under each of these programs. In May 2015, our shareholders approved a proposal to authorize us to repurchase up to an additional 10% of our outstanding ordinary shares through November 2016 (May 2015 Share Repurchase Program). These repurchases, which are determined at the discretion of our Management Board, may be executed from time to time through open market or privately negotiated transactions. The repurchased shares are recorded as Treasury stock and may be retired or used for general corporate purposes, including for various employee benefit and compensation plans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes our share repurchase activity:

	Six Months Ended June 30, 2015				
Millions of dollars, except shares and per share amounts	**Shares Repurchased**		**Average Purchase Price**		**Total Purchase Price, Including Commissions**
April 2014 Share Repurchase Program	19,892,101	$	86.40	$	1,719
May 2015 Share Repurchase Program	3,728,610		102.87		383
	23,620,711	$	89.00	$	2,102

	Six Months Ended June 30, 2014				
Millions of dollars, except shares and per share amounts	**Shares Repurchased**		**Average Purchase Price**		**Total Purchase Price, Including Commissions**
May 2013 Share Repurchase Program	30,225,236	$	90.31	$	2,730
April 2014 Share Repurchase Program	4,003,964		99.25		397
	34,229,200	$	91.36	$	3,127

Due to the timing of settlements, total cash paid for share repurchases for the six months ended June 30, 2015 and 2014 was $2,137 million and $3,067 million, respectively.

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

	Six Months Ended June 30,	
	2015	**2014**
Ordinary shares outstanding:		
Beginning balance	486,969,402	548,824,138
Share-based compensation	4,715,684	818,836
Warrants exercised	1,602	100
Employee stock purchase plan	15,741	12,673

Purchase of ordinary shares	(23,620,711)	(34,229,200)
Ending balance	468,081,718	515,426,547

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

	Six Months Ended June 30,	
	2015	**2014**
Ordinary shares held as treasury shares:		
Beginning balance	91,463,729	29,607,877
Share-based compensation	(4,715,684)	(818,836)
Warrants exercised	150	- -
Employee stock purchase plan	(15,741)	(12,673)
Purchase of ordinary shares	23,620,711	34,229,200
Ending balance	110,353,165	63,005,568

Accumulated Other Comprehensive Income (Loss) The components of, and after-tax changes in, Accumulated other comprehensive income (loss) as of and for the six months ended June 30, 2015 and 2014 are presented in the following table:

Millions of dollars	**Financial Derivatives**	**Net Unrealized Holding Gains on Investments Net of Tax**	**Defined Pension and Other Postretirement Benefit Plans**	**Foreign Currency Translation Adjustments**	**Total**
Balance January 1, 2015	$ (80)	$ - -	$ (449)	$ (497)	$ (1,026)
Other comprehensive income (loss) before reclassifications	213	- -	- -	(351)	(138)
Amounts reclassified from accumulated other comprehensive loss	(153)	- -	10	- -	(143)
Net other comprehensive income (loss)	60	- -	10	(351)	(281)

Balance June 30, 2015	$	(20)	$	- -	$	(439)	$	(848)	$	(1,307)
Balance January 1, 2014	$	- -	$	- -	$	(140)	$	236	$	96
Other comprehensive income (loss) before reclassifications		(13)		1		(7)		(40)		(59)
Amounts reclassified from accumulated other comprehensive income		- -		- -		6		- -		6
Net other comprehensive income (loss)		(13)		1		(1)		(40)		(53)
Balance June 30, 2014	$	(13)	$	1	$	(141)	$	196	$	43

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

Millions of dollars	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	Affected line item on the Consolidated Statements of Income
Reclassification adjustments for:					
Defined pension and other postretirement benefit plan items:					
Amortization of:					
Prior service cost	$ 1	$ 1	$ 1	$ 2	
Actuarial loss	7	2	13	5	
Financial derivatives:					
Cross-currency swaps	67	- -	(153)	- -	Other income, net
Reclassifications, before tax	75	3	(139)	7	
Income tax expense	2	- -	4	1	Provision for income taxes
Amounts reclassified out of Accumulated other comprehensive income (loss)	$ 73	$ 3	$ (143)	$ 6	

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

Non-Controlling Interests In June 2015, we received $24 million from a holder of a minority interest in one of our consolidated partnerships to exit the partnership. Accordingly, our interest in this partnership increased resulting in an impact to equity of a $4 million reduction of Non-controlling interests and a $32 million increase in Additional paid-in capital.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Per Share Data

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

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

	Three Months Ended June 30,			
	2015		2014	
Millions of dollars	**Continuing Operations**	**Discontinued Operations**	**Continuing Operations**	**Discontinued Operations**
Net income	$ 1,326	$ 3	$ 1,173	$ 3
Less: net loss attributable to non-controlling interests	1	- -	2	- -
Net income attributable to the Company shareholders	1,327	3	1,175	3
Net income attributable to participating securities	(2)	- -	(4)	- -
Net income attributable to ordinary shareholders basic and diluted	$ 1,325	$ 3	$ 1,171	$ 3
Millions of shares, except per share amounts				
Basic weighted average common stock outstanding	472	472	523	523
Effect of dilutive securities:				
Stock options	- -	- -	4	4
Potential dilutive shares	472	472	527	527
Earnings per share:				
Basic	$ 2.81	$ 0.01	$ 2.24	$ 0.01

Diluted	$	2.81	$	0.01	$	2.22	$	0.01
Participating securities		0.5		0.5		1.5		1.5
Dividends declared per share of common stock	$	0.78	$	- -	$	0.70	$	- -

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Six Months Ended June 30,			
	2015		2014	
Millions of dollars	**Continuing Operations**	**Discontinued Operations**	**Continuing Operations**	**Discontinued Operations**
Net income	$ 2,493	$ - -	$ 2,116	$ 4
Less: net loss attributable to non-controlling interests	3	- -	3	- -
Net income attributable to the Company shareholders	2,496	- -	2,119	4
Net income attributable to participating securities	(6)	- -	(6)	- -
Net income attributable to ordinary shareholders basic and diluted	$ 2,490	$ - -	$ 2,113	$ 4
Millions of shares, except per share amounts				
Basic weighted average common stock outstanding	475	475	533	533
Effect of dilutive securities:				
Stock options	2	2	4	4
Potential dilutive shares	477	477	537	537
Earnings per share:				
Basic	$ 5.24	$ - -	$ 3.96	$ 0.01
Diluted	$ 5.22	$ - -	$ 3.93	$ 0.01
Participating securities	0.5	0.5	1.5	1.5
Dividends declared per share of common stock	$ 1.48	$ - -	$ 1.30	$ - -

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Segment and Related Information

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

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

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

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

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

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

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

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

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

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

	Three Months Ended June 30, 2014						
Millions of dollars	**O&P Americas**	**O&P EAI**	**I&D**	**Refining**	**Technology**	**Other**	**Total**
Sales and other operating revenues:							
Customers	$ 2,270	$ 4,015	$ 2,675	$ 3,044	$ 113	$ - -	$ 12,117
Intersegment	1,192	54	31	206	31	(1,514)	- -
	3,462	4,069	2,706	3,250	144	(1,514)	12,117
EBITDA	978	319	430	137	71	6	1,941

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

	Six Months Ended June 30, 2014						
Millions of dollars	**O&P Americas**	**O&P EAI**	**I&D**	**Refining**	**Technology**	**Other**	**Total**
Sales and other operating revenues:							
Customers	$ 4,648	$ 7,722	$ 5,080	$ 5,581	$ 221	$ - -	$ 23,252
Intersegment	2,171	125	55	425	59	(2,835)	- -
	6,819	7,847	5,135	6,006	280	(2,835)	23,252
EBITDA	1,714	675	805	266	147	2	3,609

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

The O&P EAI segment operating results for the first six months of 2014 include a $52 million benefit from a settlement under a 2005 indemnification agreement for certain existing and future environmental liabilities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Millions of dollars	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
EBITDA:				
Total segment EBITDA	$ 2,188	$ 1,935	$ 4,138	$ 3,607
Other EBITDA	(2)	6	- -	2
Less:				
Depreciation and amortization expense	(247)	(254)	(534)	(510)
Interest expense	(79)	(96)	(148)	(188)
Add:				
Interest income	7	7	18	13
Income from continuing operations before income taxes	$ 1,867	$ 1,598	$ 3,474	$ 2,924

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

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

GENERAL

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

References to industry benchmark prices or costs, including the weighted average cost of ethylene production, are generally to industry prices and costs from third party consulting data. 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. References to industry benchmark prices for crude oil and natural gas are to Bloomberg.

OVERVIEW

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

In the second quarter and first six months of 2015, we delivered strong results across all of our business segments. Our ability to operate reliably positioned us to take advantage of the favorable second quarter environment stemming from planned and unplanned industry downtime.

Significant items that affected our results during the second quarter and first six months of 2015 relative to the second quarter and first six months of 2014 include:

- Higher U.S. polyolefin results and higher U.S. olefins volumes on stronger demand and increased operating rates following the 2014 completion of expansions of our La Porte, Texas ethylene and Matagorda, Texas polyethylene facilities, offset in part by lower olefins margins in the second quarter and first six months of 2015;

- Improved European olefins and polyolefins results on higher margins in both 2015 periods and increased volumes in the first six months of 2015;

- Strong styrene (SM) margins driven by tight supply and lower feedstock costs benefited the Intermediates and Derivatives (I&D) segment results in the second quarter and first six months of 2015; and

- Higher refining margins at our Houston refinery on improved by-product spreads and lower feedstock costs in both 2015 periods.

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

In the second quarter of 2015, we increased our interim dividend by 11%, from $0.70 to $0.78;

We repurchased approximately 8 million and 24 million of our outstanding ordinary shares during the second quarter and first six months of 2015, respectively, completing our April 2014 authorization and commencing purchases under our May 2015 authorization;

We issued $1 billion of 4.625% unsecured notes due 2055 in March 2015; and

We continued construction of a 250 million pounds per year ethylene expansion at our Channelview, Texas facility to start up in the third quarter of 2015 and an 800 million pounds per year ethylene expansion at our Corpus Christi, Texas facility to be completed in early 2016.

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

Millions of dollars	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Sales and other operating revenues	$ 9,145	$ 12,117	$ 17,330	$ 23,252
Cost of sales	7,047	10,255	13,426	19,832
Selling, general and administrative expenses	228	215	433	401
Research and development expenses	25	34	51	66
Operating income	1,845	1,613	3,420	2,953
Interest expense	(79)	(96)	(148)	(188)
Interest income	7	7	18	13
Other income, net	4	6	25	17
Income from equity investments	90	68	159	129
Provision for income taxes	541	425	981	808
Income from continuing operations	1,326	1,173	2,493	2,116
Income from discontinued operations, net of tax	3	3	- -	4
Net income	$ 1,329	$ 1,176	$ 2,493	$ 2,120

RESULTS OF OPERATIONS

Revenues Revenues decreased by $2,972 million, or 25%, in the second quarter of 2015 compared to the second quarter of 2014 and by $5,922 million, or 25%, in the first six months of 2015 compared to the first six months of 2014.

Lower average sales prices were responsible for 19% and 22% of the revenue declines in the second quarter and first six months of 2015, respectively, relative to prior year periods. The decline in prices for crude oil and other feedstocks in the second quarter and first six months of 2015 was the primary contributing factor for these lower average sales prices. Unfavorable translation impacts resulting from a significant decline in the euro/U.S. dollar exchange rate further reduced revenues by 7% and 6%, respectively, in the second quarter and first six months of 2015.

The decreases noted above were partially offset by higher sales volumes in the second quarter and first six months of 2015, which were responsible for revenue increases of 1% and 3%, respectively, compared to the second quarter and first six months of 2014. Higher U.S. olefins and polyethylene sales volumes in the second quarter and first six months of 2015 reflect stronger demand and capacity additions associated with the completion of an expansion-related turnaround at our La Porte, Texas ethylene facility and at our Matagorda, Texas polyethylene facility. Planned industry outages during early 2015 led to higher propylene oxide (PO) and derivative sales volumes in the first six months of 2015, while increased demand resulted in higher oxyfuels sales volumes in the second quarter and first six

months of 2015. Methanol sales volumes also increased relative to the second quarter and first six months of 2014 as a result of higher production with the absence of an outage at our La Porte, Texas methanol facility in 2014. These higher volumes were partially offset in the second quarter of 2015 by lower sales volumes for polypropylene (PP) and styrene due to turnaround activities at one of our joint ventures in Saudi Arabia and one of our PO/SM plants, respectively.

Cost of Sales Cost of sales decreased by $3,208 million and $6,406 million in the second quarter and first six months of 2015, respectively, compared to the second quarter and first six months of 2014. In the first six months of

2015, cost of sales includes pre-tax charges totaling $118 million, including non-cash lower of cost or market (LCM) inventory valuation adjustments in our Olefins and Polyolefins Americas (O&P Americas) and I&D segments totaling $83 million and amortization of $35 million associated with the expiration of emission allowance credits in our Refining and I&D segments. Cost of sales in the first six months of 2014 included a $52 million benefit in our Olefins and Polyolefins Europe, Asia, International (O&P EAI) segment associated with a settlement for certain existing and future environmental claims under a 2005 indemnification agreement.

The decrease in cost of sales in the second quarter and first six months of 2015 was primarily due to lower feedstock costs. In the second quarter and first six months of 2015, the raw material costs for heavy liquids and natural gas liquids (NGLs) used in our O&P Americas segment; naphtha and advantaged feeds used in our O&P EAI segment; butane, benzene, ethanol and methanol used in our I&D segment; and crude oil used in our Refining segment were significantly lower relative to the second quarter and first six months of 2014.

Operating Income Operating income increased by $232 million and $467 million in the second quarter and first six months of 2015, respectively, compared to the second quarter and first six months of 2014.

Operating income in the first six months of 2015 includes the negative impacts of the $83 million LCM inventory valuation adjustment and $35 million emission credit allowances amortization discussed above. Operating income for the first six months of 2014 included the $52 million benefit related to the environmental claims settlement also discussed above. The net impact of these items partially offset the improvement in results discussed below.

The increase in second quarter 2015 operating income was primarily attributable to higher olefins and polyolefins margins in our O&P EAI segment and to a lesser extent, by higher styrene and refining margins in our I&D and Refining segments, respectively.

The increase in operating income in the first six months of 2015 was mainly driven by the operations of our O&P Americas and O&P EAI segments and to a lesser extent by the operations of our I&D and Refining segments. The primary drivers of the improvement in operating income were higher volumes in our U.S. olefins business, higher margins and volumes in U.S. polyolefins and higher margins that benefited from lower feedstock costs and improved supply/demand fundamentals in our European olefins and polyolefins businesses. Higher styrene margins and sales volumes in our I&D segment and higher refining margins also contributed to the increase in operating income in the first six months of 2015 compared to first six months of 2014. Operating results for each of our business segments are discussed further in the Segment Analysis section below.

Interest Expense Interest expense was $17 million and $40 million lower in the second quarter and first six months of 2015, respectively, compared to the second quarter and first six months of 2014, primarily due to favorable adjustments of $29 million and $60 million, respectively, related to our fixed-for-floating interest rate swaps and cross-currency swaps. See Notes 6, 7 and 8 for additional information related to these swaps. The resulting decrease was offset in part by higher interest charges related to the issuance of our 4.875% guaranteed notes due 2044 in February 2014 and our 4.625% senior notes due 2055 in March 2015.

Income from Equity Investments Income from equity investments increased by $22 million and $30 million in the second quarter and first six months of 2015, respectively, relative to the second quarter and first six months of 2014.

Higher results in the second quarter and first six months of 2015 were primarily driven by improvements at our joint ventures in Poland and South Korea. A significant increase in spreads due to a weaker euro, tight supply stemming from industry outages and higher operating rates in the second quarter and first six months of 2015 contributed to the better results at our Polish joint venture relative to the corresponding periods in 2014. Improved results at our South

Korean joint venture reflect stronger spreads and the favorable impacts of foreign exchange in the second quarter and first six months of 2015 relative to the same periods in 2014.

These benefits were partly offset by lower results in the second quarter and first six months for our Middle Eastern joint ventures, largely due to lower margins as a result of lower crude oil prices, and unplanned outages in the second quarter and first six months of 2015 at one of the joint ventures leading to lower volumes compared to the second quarter and first six months of 2014.

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Income Tax Our effective income tax rate for the second quarter of 2015 was 29.0% compared with 26.6% for the second quarter of 2014. For the first six months of 2015, the effective income tax rate was 28.2% compared with 27.6% for the first six months of 2014. Our effective tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, the U.S. domestic production activity deduction, changes in valuation allowances and changes in unrecognized tax benefits associated with uncertain tax positions.

Compared with the second quarter of 2014, the higher effective tax rate for the second quarter of 2015 was primarily due to increases in foreign exchange gains, a reduced impact of internal financings due to increased earnings, and decreases in nontaxable income, partially offset by changes in the mix of earnings in countries with varying statutory tax rates. Compared with the first six months of 2014, the effective tax rate for the first six months of 2015 was higher primarily due to changes in return to accrual adjustments and decreases in non-taxable income, partially offset by increases in internal financing and changes in the mix of earnings in countries with varying statutory tax rates.

A portion of the Company s interest income from internal financing is either untaxed or taxed at rates substantially lower than the U.S. statutory rate. We currently anticipate the favorable treatment for the interest income to continue in the near term; however, this treatment is based on current law and tax rulings, which could change.

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

Comprehensive Income Comprehensive income increased by $466 million and $145 million in the second quarter and first six months of 2015, respectively, compared to the second quarter and first six months of 2014.

The increase in Comprehensive income in the second quarter of 2015 reflects the favorable impact of unrealized net changes in foreign currency translation adjustments, higher net income and the benefit of favorable financial derivative adjustments. In the first six months of 2015, Comprehensive income increased on higher net income and the benefit of favorable financial derivative adjustments, partly offset by the unfavorable impact of unrealized net changes in foreign currency translation adjustments.

The predominant functional currency for our operations outside of the U.S. is the euro. Relative to the U.S. dollar, the value of the euro increased during the second quarter of 2015 and decreased during the second quarter of 2014 and first six months of 2015 and 2014, resulting in gains and losses as reflected in the Consolidated Statements of Comprehensive Income.

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Segment Analysis

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

Our continuing operations are divided into five reportable segments: O&P Americas; O&P EAI; I&D; Refining; and Technology.

Millions of dollars	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Sales and other operating revenues:				
O&P Americas segment	$ 2,679	$ 3,462	$ 5,230	$ 6,819
O&P EAI segment	3,061	4,069	5,972	7,847
I&D segment	2,159	2,706	4,077	5,135
Refining segment	2,102	3,250	3,709	6,006
Technology segment	107	144	243	280
Other, including intersegment eliminations	(963)	(1,514)	(1,901)	(2,835)
Total	$ 9,145	$ 12,117	$ 17,330	$ 23,252
Income (loss) from equity investments:				
O&P Americas segment	$ 8	$ 6	$ 15	$ 10
O&P EAI segment	79	63	136	117
I&D segment	3	(1)	8	2
Total	$ 90	$ 68	$ 159	$ 129
EBITDA:				
O&P Americas segment	$ 1,014	$ 978	$ 2,045	$ 1,714
O&P EAI segment	492	319	849	675
I&D segment	466	430	803	805
Refining segment	159	137	308	266
Technology segment	57	71	133	147
Other, including intersegment eliminations	(2)	6	- -	2
Total	$ 2,186	$ 1,941	$ 4,138	$ 3,609

Olefins and Polyolefins Americas Segment

Overview In calculating the impact of margin and volume on EBITDA, consistent with industry practice, management offsets revenues and volumes related to ethylene co-products against the cost to produce ethylene. Volume and price impacts of ethylene co-products are reported in margin. Ethylene is a major building block of our olefins and polyolefins businesses and as such management assesses the performance of the segment based on ethylene sales volumes and prices and our internal cost of ethylene production.

In the second quarter 2015, higher polyolefin results partially offset the impact of lower olefins results. Improved results across all businesses in the first six months of 2015 led to higher segment results relative to the first six months of 2014. Olefins results in the second quarter and first six months of 2015 reflect lower margins which were

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offset in part in the second quarter of 2015 and more than offset in the first six months of 2015 by higher sales volumes. Margin improvements and higher sales volumes in the second quarter and first six months of 2015 led to the increased polyethylene and polypropylene results over the respective periods in 2014.

Prices for heavy liquids, NGLs and olefins have declined significantly since the third quarter of 2014, to levels that have not been seen in recent years. These declines resulted in the recognition of non-cash, LCM inventory adjustments totaling $279 million during the last half of 2014. Further volatility in the benchmark prices for heavy liquids and natural gas and certain correlated products, particularly ethylene and crude C4 chemicals, during the first quarter of 2015 led to an additional LCM inventory valuation adjustment of $43 million in the first quarter of 2015. During the second quarter of 2015, a recovery of market prices occurred and as a result, we recognized a non-cash benefit of $21 million for the partial reversal of the $43 million LCM inventory valuation adjustment discussed above.

Ethylene Raw Materials Benchmark crude oil and natural gas prices generally have been indicators of the level and direction of the 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:

NGLs, principally ethane and propane, the prices of which are generally affected by natural gas prices; and
crude oil-based liquids (liquids or heavy liquids), including naphtha, condensates and gas oils, the prices of which are generally related to crude oil 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 to benchmarks may vary significantly. In the U.S., we have significant capability to change the mix 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.

Production economics for the industry favored NGLs in 2014 and have continued to do so in 2015. During the second quarter and first six months of 2015, we produced approximately 90% of our U.S. ethylene production from NGLs compared to 85% in the second quarter and first six months of 2014.

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The following table shows the average U.S. benchmark prices for crude oil and natural gas for the applicable periods, as well as benchmark U.S. sales prices for ethylene and propylene, which we produce and sell or consume internally. The table also shows the discounted U.S. benchmark prices for certain polyethylene and polypropylene products. These industry benchmark prices are third party estimates that are indicative of contract sales for some key product grades, but do not necessarily describe price trends for our full olefins or polymers product mixes. The benchmark weighted average cost of ethylene production, which reflects credits for co-product sales, is based on a third party consultant s estimated ratio of heavy liquid raw materials and NGLs used in U.S. ethylene production.

	Average Benchmark Price and Percent Change Versus Prior Year Period Average					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Change	2015	2014	Change
Crude oil, dollars per barrel:						
West Texas Intermediate (WTI)	57.95	102.99	(44)%	53.34	100.84	(47)%
Light Louisiana Sweet (LLS)	62.93	105.55	(40)%	57.97	104.97	(45)%
Natural gas (Henry Hub), dollars per million BTUs	2.76	4.74	(42)%	2.76	4.87	(43)%
United States, cents per pound:						
Weighted average cost of ethylene production	9.7	17.1	(43)%	10.0	18.6	(46)%
Ethylene	34.2	47.2	(28)%	34.5	47.8	(28)%
Polyethylene (high density)	67.3	77.0	(13)%	66.5	76.7	(13)%
Propylene - polymer grade	41.7	69.7	(40)%	45.7	71.5	(36)%
Polypropylene	61.7	84.7	(27)%	64.7	86.5	(25)%

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2015**	**2014**	**2015**	**2014**
Sales and other operating revenues	$ 2,679	$ 3,462	$ 5,230	$ 6,819
Income from equity investments	8	6	15	10
EBITDA	1,014	978	2,045	1,714

Revenues Revenues for our O&P Americas segment decreased by $783 million, or 23%, in the second quarter of 2015 and by $1,589 million, or 23%, in the first six months of 2015 compared to the second quarter and first six months of 2014, respectively.

Lower average sales prices resulted in revenue decreases of 26% and 25% in the second quarter and first six months of 2015, respectively, compared to the same periods in 2014. Average sales prices for ethylene were lower in the second quarter and first six months of 2015 primarily due to the significant decline in prices for crude oil and correlated products relative to prices in the corresponding periods of 2014. Polyethylene and polypropylene sales prices declined less in the second quarter and first six months of 2015 than the prices of their respective feedstocks, ethylene and propylene.

These decreases in revenues were offset in part by higher sales volumes, which contributed 3% and 2% to revenues in the second quarter and first six months of 2015, respectively, compared to the second quarter and first six months of 2014. Sales volumes for ethylene and polyethylene were higher in the second quarter and first six months of 2015 relative to the same periods in 2014. Ethylene sales volumes were higher on stronger demand and increased

production reflecting higher capacity following the completion of an expansion-related turnaround at our La Porte, Texas facility during 2014. In the first six months of 2015, higher ethylene sales volumes also reflect additional production related to less planned and unplanned downtime at our Channelview, Texas facility. Polyethylene sales volumes improved in the second quarter and first six months of 2015, largely due to the completion of an expansion-related turnaround at our Matagorda, Texas facility in the first quarter of 2014. Polypropylene sales volumes were higher on increased demand and production in the second quarter and first six months of 2015 compared to the second quarter and first six months of 2014.

EBITDA EBITDA increased by $36 million, or 4%, in the second quarter of 2015 compared to the second quarter of 2014. This 4% improvement in EBITDA in the second quarter of 2015 represents an increase of 23% related to higher volumes and an another 2% increase associated with a non-cash benefit of $21 million for the reversal of an LCM inventory valuation adjustment in the second quarter of 2015. These increases were partly offset by a 21% decline related to lower margins in the second quarter of 2015 relative to the second quarter of 2014.

In the first six months of 2015, EBITDA increased by $331 million, or 19%, compared to the first six months of 2014. This improvement in EBITDA reflects a 30% increase related to higher volumes, partially offset by decreases of 10% for lower margins and 1% for the $22 million net, non-cash charge related to LCM inventory valuation adjustments.

The increases in sales volumes in the second quarter and first six months of 2015 as compared to the prior year periods were a result of the expansion-related activities, reduction in downtime and increased demand discussed above.

Margins were lower in the second quarter and first six months of 2015, largely reflecting the decline in olefin margins that were offset in part by improvements in polyethylene and polypropylene margins relative to the second quarter and first six months of 2014. Olefin margins declined in the second quarter and first six months of 2015 as the average sales price of ethylene was driven down by the decline in naphtha feedstock prices, which generally trend with crude oil prices. A decrease in our cost of ethylene production partially offset the impact of the ethylene sales price decline in the first six months of 2015 lessening the impact of lower margins on that period. Lower NGL and heavy liquids feedstock costs in the first six months of 2015 outpaced the lower selling price of our co-products, resulting in a decrease to our cost of ethylene production compared to the first six months of 2014.

Polyethylene margins improved in the second quarter and first six months of 2015 as decreases in the cost of ethylene feedstock more than offset lower average sales prices relative to the second quarter and first six months of 2014. Polypropylene margins, which were higher in the second quarter and first six months of 2015, benefited from lower propylene feedstock costs, which typically trend with crude oil prices, and higher average sales prices relative to propylene, driven by demand.

Olefins and Polyolefins Europe, Asia, International Segment

Overview Higher operating results in the second quarter and first six months of 2015 primarily reflect margin improvements for olefins and polyolefins and in the first six months of 2015, higher overall sales volumes. Olefins margins in the second quarter and first six months of 2015 reflect a larger decline in our cost of ethylene production than the decreases in olefin product prices. Polyethylene and polypropylene margins were higher due to supply constraints as a result of several industry outages and, in the first six months comparison, the benefit of a lower price position compared to other regions resulting from the weakness in the euro. These business improvements were partly offset by translation impacts due to the weaker euro versus the U.S. dollar.

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Ethylene Raw Materials In Europe, heavy liquids are the primary raw materials for ethylene production.

The following table shows the average Western Europe benchmark prices for Brent crude oil for the applicable periods, as well as benchmark Western Europe prices for ethylene and propylene, which we produce and consume internally or purchase from unrelated suppliers, and discounted prices for certain polyethylene and polypropylene products. These industry benchmark prices are third party estimates that are indicative of contract sales for some key product grades, but do not necessarily describe price trends for our full olefins or polymers product mixes.

	Average Benchmark Price and Percent Change Versus Prior Year Period Average					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
Brent crude oil, dollars per barrel	63.50	109.76	(42)%	59.35	108.82	(45)%
Western Europe benchmark prices, 0.01 per pound:						
Weighted average cost of ethylene production	23.2	34.3	(32)%	23.0	33.6	(32)%
Ethylene	47.1	52.8	(11)%	43.2	53.8	(20)%
Polyethylene (high density)	60.6	54.8	11%	52.9	55.5	(5)%
Propylene	44.4	52.2	(15)%	40.7	51.7	(21)%
Polypropylene (homopolymer)	62.5	61.3	2%	56.1	60.6	(7)%
Average exchange rate, $US per	1.10	1.37	(20)%	1.12	1.37	(18)%

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2015**	**2014**	**2015**	**2014**
Sales and other operating revenues	$ 3,061	$ 4,069	$ 5,972	$ 7,847
Income from equity investments	79	63	136	117
EBITDA	492	319	849	675

Revenues Revenues decreased by $1,008 million, or 25%, in the second quarter of 2015 compared to the second quarter of 2014 and by $1,875 million, or 24%, in the first six months of 2015 compared to the first six months of 2014.

Lower average sales prices and the unfavorable foreign currency translation impacts resulting from a significantly weaker euro versus the U.S. dollar decreased revenues by 5% and 14%, respectively, in the second quarter of 2015 and by 13% and 14% in the first six months of 2015 compared to the corresponding periods in 2014. Average sales prices were lower for most products as sales prices generally correlate with crude oil prices, which have significantly declined compared to the second quarter and first six months of 2014.

Lower sales volumes in the second quarter of 2015 resulted in a 6% decrease in revenues compared to the second quarter of 2014, while higher sales volumes in the first six months of 2015 increased revenues by 3% compared to the first six months of 2014. A decline in polypropylene sales volumes in the second quarter of 2015 relative to the same prior year period was largely due to supply constraints resulting from turnaround activities at one of our Middle East joint ventures, and more than offset an increase in demand-driven European ethylene and polyolefins

volumes during that period. In the first six months of 2015, polyethylene and polypropylene sales volumes were higher compared to the first six months of 2014, largely due to strong European demand and supply constraints in the market due to several industry outages. Sales volumes for PP compounding were also higher in the second quarter and first six months of 2015, reflecting higher demand in the automotive industry relative to the second quarter and first six months of 2014.

EBITDA EBITDA increased by $173 million, or 54%, in the second quarter of 2015 compared to the second quarter of 2014. This 54% improvement in EBITDA in the second quarter of 2015 was driven by a 63% increase related to margins as well as increases of 5% and 1%, respectively, related to the improvement in income from our equity investments and higher sales volumes discussed above. These second quarter improvements were offset in part by a 15% decrease related to the impact of unfavorable changes in foreign currency translations.

In the first six months of 2015, EBITDA increased by $174 million, or 26%, compared to the first six months of 2014. This 26% improvement reflects increases of 37% related to higher margins, 8% for the increase in European sales volumes discussed above and 3% due to an improvement in income from our equity investments. These increases were offset in part by a 14% decrease related to the impact of foreign currency translation and an 8% decrease related to a $52 million benefit recognized in the first six months of 2014 for a settlement of certain existing and future environmental claims under a 2005 indemnification agreement.

Polyethylene and polypropylene margins in Europe improved in the second quarter and first six months of 2015 relative to the same periods in 2014, reflecting tighter supply demand balances and lower ethylene and propylene feedstock costs which more than offset the declines in average sales prices. Regional supply/demand tightened in the first six months of 2015 partly due to industry outages which restricted production as demand was improving. Olefins margins increased in the second quarter and first six months of 2015 as declines in the cost of our ethylene production, largely due to lower feedstock costs and increased benefits from processing feedstocks with cost advantages to naphtha, more than offset lower ethylene average sales prices during those periods. PP compounding margins were lower in the second quarter of 2015 due to the higher cost of polypropylene feedstock, while PP compounding margins in the first six months of 2015 increased relative to the corresponding period in 2014, as feedstock prices fell faster than product prices in the early part of 2015 before that trend reversed in the second quarter.

The improvement in income from our equity investments in both 2015 periods primarily reflected higher margins at our Polish and South Korean joint ventures due to favorable industry spreads. These benefits were offset in part by the impacts of a turnaround at one of our Middle Eastern joint ventures and by lower margins at two of our Middle Eastern joint ventures in both 2015 periods and in the first six months of 2015 by lower margins at our joint venture in Thailand.

Intermediates and Derivatives Segment

Overview Segment results, which were higher in the second quarter of 2015 and relatively unchanged in the first six months of 2015 compared to the same periods in 2014, include non-cash, LCM adjustments of $17 million and $61 million, respectively. These adjustments reflect the decline in market prices for many I&D products that fell to levels lower than the carrying value of our related inventories at the respective balance sheet dates. Absent these adjustments, operating results were higher in both 2015 periods. These improvements reflect strong styrene results which were complemented in the second quarter of 2015 by higher ethylene oxide (EO) and derivatives and oxyfuels results. Lower acetyls and C4 chemicals results reduced the overall improvement in the first six months of 2015.

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The following table sets forth selected financial information for the I&D segment including Income from equity investments, which is a component of EBITDA. In addition, the table shows methyl tertiary butyl ether (MTBE) margins in Northwest Europe (NWE).

	Three Months Ended June 30,				Six Months Ended June 30,			
Millions of dollars		**2015**		**2014**		**2015**		**2014**
Sales and other operating revenues	$	2,159	$	2,706	$	4,077	$	5,135
Income (loss) from equity investments		3		(1)		8		2
EBITDA		466		430		803		805
Market margins, cents per gallon								
MTBE NWE		106.0		90.7		85.3		76.8

Revenues Revenues decreased by $547 million, or 20%, in the second quarter of 2015 compared to the second quarter of 2014 and by $1,058 million, or 21%, in the first six months of 2015 compared to the first six months of 2014.

The decrease in revenues in the second quarter and first six months of 2015 reflects lower average sales prices overall and currency translation impacts resulting from a significantly weaker euro against the U.S. dollar, partly offset by higher sales volumes compared to the second quarter and first six months of 2014. Lower average sales prices and currency translation impacts were responsible for decreases of 16% and 7% in the second quarter of 2015, respectively, and 22% and 6% in the first six months of 2015. These negative impacts were partly offset by revenue increases of 3% in the second quarter of 2015 and 7% in the first six months of 2015 related to higher volumes during those periods.

Average sales prices for PO & derivatives, acetyls, particularly methanol and vinyl acetate monomer, EO & derivatives and C4 chemicals declined in the second quarter and first six months of 2015 primarily due to a significant decrease in energy prices relative to second quarter and first six months of 2014. Average sales prices for styrene were lower in the second quarter and first six months of 2015, largely consistent with declines in the cost of its feedstock, benzene, relative to the second quarter and first six months of 2014. Decreases in Brent crude oil and gasoline product prices in the second quarter and first six months of 2015 led to lower average sales prices for oxyfuels compared to the corresponding periods of 2014.

Higher oxyfuels sales volumes in the second quarter and first six months of 2015 reflecting strong octane demand in a tight market driven by industry outages combined with higher sales of purchased materials were partially offset by lower C4 chemicals sales volumes due to customer outages compared to the second quarter and first six months of 2014. Acetyls sales volumes were higher in the second quarter and first six months of 2015 compared to the same periods in 2014 due to reduced production resulting from turnaround activities at our La Porte, Texas facility in the second quarter of 2014. PO and derivative sales volumes were higher in the second quarter and first six months of 2015 due to continued strong demand in a tight market driven by industry outages and additional contract business. Styrene sales volumes in the second quarter of 2015 were lower relative to the second quarter of 2014 due to turnaround activities at one of our PO/SM facilities in Channelview, Texas during that period. However, strong demand following a significant decrease in styrene prices in the last part of 2014, along with industry outages, led to higher styrene sales volumes for the first six months of 2015 relative to the same period in 2014.

EBITDA EBITDA increased by $36 million, or 8%, in the second quarter of 2015 compared to the second quarter of 2014 and was relatively unchanged in the first six months of 2015 compared to the first six months of 2014.

The 8% increase in the second quarter of 2015 primarily consists of increases of 6% related to higher volumes and 6% associated with improved margins, offset in part by a 4% decrease related to a $17 million non-cash charge for the LCM inventory valuation adjustment discussed above. In the first six months of 2015, a decrease of 8% associated with non-cash LCM inventory valuation adjustments of $61 million discussed above was partly offset by increases of 6% and 1% related to higher volumes and margin improvement, respectively. A slight improvement in

our income from equity investments accounted for the remaining change in EBITDA in the first six months of 2015.

Unfavorable impacts of foreign currency translation of $37 million and $60 million, respectively, due to the significant declines in the euro versus the U.S. dollar in the second quarter and first six months of 2015 relative to the same prior year periods are included in the discussion of results above.

Styrene results in the second quarter and first six months of 2015 reflected margin improvements driven by tight supply resulting from industry outages, and lower benzene feedstock costs as compared to the same periods in 2014. These margin improvements were lessened by the impact of lower sales volumes in the second quarter of 2015 due to turnaround activities at one of our PO/SM facilities, and augmented in the first six months of 2015 by higher sales volumes reflecting stronger market demand and industry outages.

The increase in ethylene oxide and derivative results in the second quarter of 2015 as compared to the prior year period reflected higher margins as decreases in the cost of ethylene feedstock in that period more than offset the decline in average sales prices, in part due to operating issues in the global market. The higher oxyfuels sales volumes discussed above and a shift in the level of sales between regions led to higher second quarter 2015 results as margins remained relatively unchanged from the same period in 2014.

Acetyls results were lower in the first six months of 2015 relative to the same 2014 period as lower margins due to lower average sales prices more than offset the impact of the higher sales volumes discussed above. The decline in our C4 chemicals business in the first six months of 2015 relative to the prior year period primarily reflects the impact of lower sales volumes previously described.

Propylene oxide and derivatives results in the second quarter and first six months of 2015 were relatively unchanged from the corresponding periods in 2014.

Refining Segment

Overview Results were higher in the second quarter and first six months of 2015 as margins increased over the same periods in 2014 on favorable improvements in by-product spreads and lower feedstock costs. By-product spreads improved as the differential between crude oil prices and products other than gasoline and distillates narrowed with the decline in crude oil prices.

Unionized workers at our Houston Refinery began a strike on February 1, 2015 following the expiration of our collective bargaining agreement. A new collective bargaining agreement was ratified by unionized workers at our Houston Refinery in May 2015, ending the three month strike.

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The following table sets forth selected financial information and heavy crude oil processing rates for the Refining segment and the U.S. refining market margins for the applicable periods. Light Louisiana Sweet, or LLS is a light, sweet crude oil, while Maya is a heavy, sour crude oil.

	Three Months Ended June 30,				Six Months Ended June 30,			
Millions of dollars		**2015**		**2014**		**2015**		**2014**
Sales and other operating revenues	$	2,102	$	3,250	$	3,709	$	6,006
EBITDA		159		137		308		266
Heavy crude oil processing rates, thousands of barrels per day		255		257		248		252
Market margins, dollars per barrel								
Light crude oil 2-1-1	$	16.42	$	17.29	$	15.74	$	15.27
Light crude oil Maya differential		7.56		9.72		8.22		12.41
Total Maya 2-1-1	$	23.98	$	27.01	$	23.96	$	27.68

Revenues Revenues decreased by $1,148 million, or 35%, in the second quarter of 2015 compared to the second quarter of 2014 and by $2,297 million, or 38%, in the first six months of 2015 compared to the first six months of 2014.

Lower average refined product prices, which contributed 40% and 42% to the decreases in revenues in the second quarter and first six months of 2015, respectively, were primarily driven by a decline in crude oil prices relative to the second quarter and first six months of 2014. These decreases were partly offset by higher sales volumes, which were responsible for revenue increases of 5% and 4%, respectively, in the second quarter and first six months of 2015. Although processing rates for fuels crudes were slightly lower in both 2015 periods compared to 2014, sales volumes were higher on increased production from purchased intermediate feedstocks and sales of crude oil.

EBITDA EBITDA increased by $22 million, or 16%, in the second quarter of 2015 compared to the second quarter of 2014. This 16% improvement consists of a 13% increase related to higher refining margins and a 4% increase related to the reversal of the $5 million non-cash, LCM inventory valuation adjustment recorded in the first quarter of 2015. These increases were offset in part by a 1% decline in EBITDA attributable to lower crude processing rates.

EBITDA increased by $42 million, or 16%, in the first six months of 2015 compared to the first six months of 2014, as an increase of 18% related to higher refining margins was offset in part by a 2% decrease related to lower volumes.

The higher refining margins in the second quarter and first six months of 2015 include favorable impacts of hedged spreads between selected products and crude oil grade differentials. Overall crude oil costs for the refinery declined by more than the change in the Maya benchmark price for both periods due to increased supplies of advantaged Canadian crude oil and opportunistic purchases of spot crudes. The large decline in crude oil prices in 2015 compared to 2014 reduced the margin impact of lower valued by-products such as petroleum coke and sulfur in both 2015 periods. The improvements in by-product spreads more than offset the decline in the Maya 2-1-1 of more than $3/barrel in each of the second quarter and first six months of 2015 relative to the corresponding periods in 2014.

Crude processing rates were slightly lower in the second quarter and first six months of 2015 compared to the second quarter and first six months of 2014. During the second quarter of 2015, crude processing rates were reduced due to operating issues at our coking units. Crude processing in the second quarter of 2014 was limited by a seven day shutdown on one of our crude units to replace a process vessel. Rates were also negatively impacted in the first six months of 2015 by operating issues in the first quarter limiting sulfur recovery and hydrotreating capacity and limitations on by-product gas processing as a result of a turnaround at a customer s facility.

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Technology Segment

Overview The Technology segment recognizes revenues related to the sale of polyolefin catalysts, licensing of chemical, polyolefin and other process technologies and associated engineering and other services. These revenues are offset in part by the costs incurred in the production of catalysts, licensing and services activities and in research and development (R&D) activities. In each of the second quarter and first six months of 2015, our Technology segment incurred approximately 50% of all R&D costs compared to approximately 65% in the corresponding periods of 2014.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	**2015**	**2014**	**2015**	**2014**
Sales and other operating revenues	$ 107	$ 144	$ 243	$ 280
EBITDA	57	71	133	147

Revenues Revenues decreased by $37 million, or 26%, in the second quarter of 2015 and by $37 million, or 13%, in the first six months of 2015 compared to the second quarter and first six months of 2014, respectively.

Lower licensing and services revenues and the unfavorable impact of foreign currency translation due to the significant weakening of the euro against the U.S. dollar in the second quarter and first six months of 2015 were partially offset by higher catalyst revenues relative to the second quarter and first six months of 2014.

Lower licensing and services revenues related to licenses issued in prior years were responsible for revenue decreases of 20% and 14% in the second quarter and first six months of 2015, respectively. Unfavorable foreign currency translation impacts due to the significant weakening of the euro against the U.S. dollar also resulted in a 12% decrease in revenues in each of the second quarter and first six months of 2015. The impact of these revenue decreases were partially offset in both 2015 periods by higher catalyst revenues. Higher catalyst sales volumes were responsible for revenue increases of 4% and 13%, respectively, in the second quarter and first six months of 2015 relative to the second quarter and first six months of 2014 while higher catalyst sales prices resulted in revenue increase of 2% in the second quarter of 2015.

EBITDA EBITDA decreased by $14 million, or 20%, in the second quarter of 2015 and by $14 million, or 10%, in the first six months of 2015 compared to its respective periods in 2014.

The decline in EBITDA in the second quarter and first six months of 2015 reflects the lower licensing and services revenues discussed above and unfavorable translation impacts. These negative impacts on results were offset in part by a decline in research and development expenses and higher catalyst results in the second quarter and first six months of 2015. The improvement in catalyst results for the second quarter and first six months reflects the impact of increased sales volumes and a $6 million benefit related to the reversal of environmental provision in the second quarter of 2015. Catalyst results for the second quarters of 2015 and 2014 were unchanged as lower margins were offset by the benefit of the environmental provision reversal discussed above and the impact of stronger volumes relative to the same prior year period.

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FINANCIAL CONDITION

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

Millions of dollars	Six Months Ended June 30, 2015	2014
Source (use) of cash:		
Operating activities	$ 2,914	$ 2,598
Investing activities	(1,170)	(2,257)
Financing activities	(1,422)	(2,767)

Operating Activities

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

The $106 million of cash used by the main components of working capital in the first six months of 2015 reflects a $212 million decrease in accounts payable and a $35 million increase in accounts receivable which were offset in part by a $141 million decrease in inventories.

The timing of crude-oil purchases in the latter part of the second quarter and the lower cost of crude oil led to the $212 million decrease in accounts payable. The $141 million decrease in inventories reflects lower levels of inventory in our I&D and O&P EAI segments. The decrease in our I&D segment inventories was the result of a drawdown of inventories in conjunction with turnaround activities at one of our PO/SM facilities in Channelview, Texas. Higher polypropylene and PP compounding sales volumes in the latter part of the second quarter contributed to the lower level of inventory in our O&P EAI segment.

2014 The $2,598 million of cash provided in the first six months of 2014 primarily reflected earnings, adjusted for non-cash items, and cash used by the main components of working capital.

The $157 million of cash used by the main components of working capital in the first six months of 2014 reflected increases of $246 million and $53 million in accounts receivable and inventories, respectively, which were offset in part by a $142 million increase in accounts payable.

The increase in accounts receivable at the end of the second quarter 2014 primarily reflected higher O&P EAI segment sales volumes, offset in part by higher collections. Higher accounts payable balances related to our O&P EAI and I&D segments were offset in part by the timing of raw material and crude oil purchases for our O&P Americas and Refining segments as a result of turnaround activities.

Higher inventory levels in the I&D and O&P EAI segments, which were offset in part by a decline in the level of inventories carried by the O&P Americas and Technology segments, resulted in an increase in inventories at the end of the second quarter, compared to year end 2013. Increases in oxyfuels and styrene inventories were reflected in the higher I&D inventory level while a build of polyethylene inventory in preparation for a third quarter 2014 turnaround

at our Wesseling, Germany site and an increase in our polypropylene inventory were reflected in the higher level of O&P EAI inventories at the end of the second quarter of 2014. These increases were offset in part by a decline in the O&P Americas polyethylene inventory as the inventory build at the end of 2013 in preparation for the La Porte, Texas and Matagorda, Texas turnarounds was drawn down during the first six months of 2014. Crude oil inventory in the Refining segment, which was higher at the end of 2013 due to operational issues in December 2013, also declined during the first six months of 2014.

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Investing Activities We used cash of $1,170 million and $2,257 million in investing activities in the first six months of 2015 and 2014, respectively.

In 2014, we began to invest cash in investment-grade and other high quality instruments that provide adequate flexibility to redeploy funds as needed to meet our cash flow requirements while maximizing yield. In the first six months of 2015 and 2014, we invested $1,468 million and $1,573 million, respectively, in securities, which are deemed available-for-sale and classified as Short-term investments. We also invested $397 million and $275 million in tri-party repurchase agreements in the first six months of 2015 and 2014, respectively. These investments are classified as short-term loans receivable except for $101 million invested during the second quarter of 2015, which is classified as a long-term loan receivable. We received proceeds upon the sale and maturity of certain of our available-for-sale securities and repurchase agreements of $997 million and $250 million, respectively, in the first six months of 2015 and $272 million and $75 million, respectively, in the corresponding periods of 2014. See Note 7 to the Consolidated Financial Statements for additional information regarding these investments.

The following table summarizes capital expenditures for the periods presented:

Millions of dollars	Six Months Ended June 30, 2015	2014
Capital expenditures by segment:		
O&P Americas	$ 289	$ 537
O&P EAI	65	60
I&D	152	97
Refining	61	52
Technology	9	8
Other	8	4
Consolidated capital expenditures of continuing operations	$ 584	$ 758

Our capital expenditures in the first six months of 2015 and 2014 included debottlenecks of certain assets to enhance production, turnaround activities and expansion projects at several sites as well as other plant improvement projects. Capital expenditures in the first six months of 2015 and 2014 also included the purchase of railcars.

Financing Activities In the first six months of 2015 and 2014, our financing activities used cash of $1,422 million and $2,767 million, respectively.

In the first six months of 2015 and 2014, we made payments of $2,137 million and $3,067 million, respectively, to acquire approximately 24 million and 34 million, respectively, of our outstanding ordinary shares. We also made dividend payments totaling $702 million and $697 million during the six months of 2015 and 2014, respectively. For additional information related to these share repurchases and dividend payments, see Note 12 to the Consolidated Financial Statements.

We received net proceeds of $238 million in the first six months of 2015 through the issuance and repurchase of commercial paper instruments under our commercial paper program that commenced in October 2014.

In March 2015, we issued $1,000 million of 4.625% Notes due 2055 and received net proceeds of $984 million. We issued $1,000 million of 4.875% Notes due 2044 in February 2014 and received net proceeds of $988 million. Additional information related to these notes can be found in the Liquidity and Capital Resources section below and in Note 6 to the Consolidated Financial Statements.

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Liquidity and Capital Resources As of June 30, 2015, we had $3,314 million of unrestricted cash and cash equivalents and marketable securities classified as Short-term investments. For additional information related to our purchases of marketable securities, which currently include certificates of deposit, commercial paper and bonds, see Investing Activities above and Note 7 to the Consolidated Financial Statements.

At June 30, 2015, we held $425 million of cash in jurisdictions outside of the U.S., principally in the United Kingdom. Less than 2% of our outstanding cash balance is held in a country that has established government imposed currency restrictions that could impede the ability of our subsidiary to transfer funds to us. There currently are no other material legal or economic restrictions that would impede our transfers of cash.

We also had total unused availability under our credit facilities of $2,899 million at June 30, 2015, which included the following:

- $1,458 million under our $2,000 million revolving credit facility, which backs our $2,000 million commercial paper program. Availability under this facility is net of outstanding borrowings, outstanding letters of credit provided under the facility and notes issued under our $2,000 million commercial paper program. A small portion of our availability under this facility is impacted by changes in the euro/U.S. dollar exchange rate. At June 30, 2015, we had $500 million of outstanding commercial paper, no outstanding letters of credit and no outstanding borrowings under the facility;

- $938 million under our $1,000 million U.S. accounts receivable securitization facility. Availability under this facility is subject to a borrowing base of eligible receivables, which is reduced by outstanding borrowings and letters of credit, if any. This facility had no outstanding borrowings or letters of credit at June 30, 2015; and

- 439 million and $13 million (totaling approximately $503 million) under our 450 million European accounts receivable securitization facility. Availability under this facility is subject to a borrowing base, net of outstanding borrowings. There were no outstanding borrowings under this facility at June 30, 2015.

See Note 6 to the Consolidated Financial Statements for additional information related to our credit facilities.

We have $629 million of outstanding letters of credit and bank guarantees issued under uncommitted credit facilities at June 30, 2015. At June 30, 2015, we had total debt, including current maturities, of $8,313 million.

In March 2015, we issued $1,000 million of 4.625% Notes due 2055 at a discounted price of 98.353%. Proceeds from these notes are being used for general corporate purposes, including repurchases of our ordinary shares. Interest payments under these notes commence on August 26, 2015. These unsecured notes rank equally in right of payment to all of LyondellBasell N.V. s existing and future unsubordinated indebtedness.

The notes may be redeemed before the date that is six months prior to the scheduled maturity date at a redemption price equal to the greater of 100% of the principal amount of the notes redeemed and the sum of the present values of the remaining scheduled payments of principal and interest (discounted at the applicable Treasury Yield plus 35 basis points) on the notes to be redeemed. The notes may also be redeemed on or after the date that is six months prior to the final maturity date of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest.

In June 2015, we entered into an agreement to extend the maturity of our senior revolving credit facility to June 2020.

In May 2015, our shareholders approved a proposal to authorize us to repurchase up to an additional 10%, or approximately 47 million, of our shares outstanding over the next eighteen months. Our share repurchase program does not have a stated dollar amount, and purchases may be made through open market purchases, private market transactions or other structured transactions. Repurchased shares could be retired or used for general corporate purposes, including for various employee benefit and compensation plans. As of June 30, 2015, we have purchased

4 million shares under this program for approximately $383 million. As of July 23, 2015, we had approximately 41 million shares remaining under the current authorization. The timing and amount of additional shares repurchased will be determined by our Management Board based on its evaluation of market conditions and other factors.

In August 2014, we announced plans to build a world scale PO/TBA plant along the U.S. Gulf Coast with an annual capacity of 1 billion pounds of PO and 2 billion pounds of tertiary butyl alcohol (TBA) and its derivatives. Based on a preliminary timetable, the plant is scheduled to be operational in early 2020.

On July 27, 2015, we announced that our Supervisory Board authorized our Management Board to declare an interim dividend of $0.78 per share. The dividend will be paid September 8, 2015 to shareholders of record August 25, 2015 with an ex-dividend date of August 21, 2015.

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

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

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

CURRENT BUSINESS OUTLOOK

Third quarter 2015 demand and margin fundamentals have generally been good thus far with demand continuing to support high operating rates in all regions. Industry outages are being resolved and could ease some of the product shortages that generated price and margin improvement in the second quarter. We continue to be vulnerable to changes in oil prices and macroeconomic trends with the current uncertainties in the Eurozone and China.

During the first weeks of July, our O&P Americas segment operations have been relatively consistent with the latter part of the second quarter. Natural gas and NGLs remain well supplied and favorably priced but global olefins and polyolefins markets are starting to rebalance as supply returns to the market.

Business conditions continue to be favorable for our O&P EAI segment, although some of the industry outages have been resolved and will likely reduce product shortages. Planned maintenance at our Münchsmünster, Germany cracker that begins late in the third quarter may negatively impact results for the last six months of 2015 by approximately $25 million.

We expect our I&D segment results to remain relatively steady. Results for the remainder of the year should reflect typical seasonal declines in our oxyfuels business. Scheduled maintenance activities at our PO/TBA facility in Fos-su-Mer, France and at our La Porte, Texas acetyls facility that begin late in the third quarter could negatively impact our results for the last six months of 2015 by approximately $50 million.

CRITICAL ACCOUNTING POLICIES

Inventory We account for our inventory using the last-in, first-out (LIFO) method of accounting.

The cost of raw materials, which represents a substantial portion of our operating expenses, and energy costs generally follow price trends for crude oil and/or natural gas. Crude oil and natural gas prices are subject to many factors, including changes in economic conditions. Fluctuation in the prices of crude oil, natural gas and their correlated products from period to period may result in the recognition of charges to adjust the value of inventory to the lower of cost or market in periods of falling prices and the reversal of those charges in subsequent interim

periods as market prices recover. Accordingly, our cost of sales and results of operations may be affected by such fluctuations, as described below.

On May 1, 2010, upon emergence from bankruptcy, we recorded our inventory, which is primarily crude oil, natural gas, NGLs and correlated products derived therefrom, at fair value in accordance with the requirements of fresh-start accounting. The per barrel benchmark price of WTI crude oil at that date was $86.15.

During 2014, we recorded LCM inventory valuation adjustments totaling $760 million driven primarily by the decline in the price of crude oil and related declines in the prices of heavy liquids and other correlated products. A $45 million charge was taken in the third quarter of 2014 which marked the beginning of the downward price trend. An additional $715 million LCM inventory valuation adjustment was recognized in the fourth quarter of 2014 to reflect decreases in the price indices for crude oil and other correlated products of approximately 50% as compared to the third quarter of 2014. Since our inventory consists of manufactured products derived from crude oil, natural gas, natural gas liquids and correlated materials, as well as the associated feedstocks and intermediate chemicals, our inventory market values are generally influenced by changes in benchmark crude oil and heavy liquid values and prices for manufactured finished goods. The degree of influence of a particular benchmark may vary from period to period, as the composition of the dollar value LIFO pools change. Due to natural inventory composition changes, variation in pricing from period to period does not necessarily result in a linear LCM impact. Additionally, an LCM condition may arise due to a decline in a particular material that had previously provided a positive offset within a pool. As a result, market valuations and LCM conditions are dependent upon the composition and mix of materials on hand at the balance sheet date. In the measurement of an LCM adjustment, the numeric input value for determining the crude oil market price includes pricing that is weighted by volume of inventories held at a point in time, including WTI, Brent and Maya crude oils. At December 31, 2014, representative prices for crude oil and heavy liquids were $47.59 per barrel and $45.20 per barrel, respectively. These price inputs were calculated using a weighted average of the materials held in inventory on that date.

An additional LCM adjustment of $92 million in the first quarter of 2015 was the result of further volatility in the aforementioned benchmark prices and the effect on correlated products. Market price declines in ethylene, benzene and ethylene glycol were the primary contributors to the LCM adjustment in the first quarter of 2015. Representative prices used in the calculation of this LCM adjustment were 35 cents per pound for ethylene, $2.42 per gallon for benzene and 29 cents per pound for ethylene glycol.

During the second quarter of 2015, price recoveries for products within two of our inventory pools necessitated the partial reversal of related LCM adjustments totaling $26 million that were recognized in the first quarter of 2015. The continued decline in prices for products within another inventory pool led to the recognition of an additional LCM adjustment of $17 million. The net impact of these adjustments on second quarter 2015 results was a pre-tax gain of $9 million. For additional information related to these LCM adjustments, see Note 14 to the Consolidated Financial Statements.

Currently all but one of our LIFO inventory pools are at-risk for further adjustment as each impacted LIFO pool is at, or close to, the calculated market value at the last balance sheet measurement date. At-risk inventory accounts for $2.7 billion of our total inventory carrying value of $4,179 million as of June 30, 2015. The extent to which further adjustment may occur is dependent on the pool specific product prices and composition within each individual dollar value LIFO pool at the balance sheet date. Further sustained price declines in our finished goods and raw materials could result in future LCM inventory valuation charges during the remainder of 2015. However, if pricing trends reverse, some or all of these 2015 charges could be reversed in future quarterly interim periods during 2015.

ACCOUNTING AND REPORTING CHANGES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

from counterparty default;

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

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

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

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

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

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

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

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

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

All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section and any other

cautionary statements that may accompany such forward-looking statements. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market and regulatory risks is described in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2014. Our exposure to such risks has not changed materially in the six months ended June 30, 2015.

Item 4. CONTROLS AND PROCEDURES

As of June 30, 2015 with the participation of our management, our Chief Executive Officer (principal executive officer) and our principal financial officer carried out an evaluation, pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the Act), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Act). Based upon that evaluation, our Chief Executive Officer and our principal financial officer concluded that our disclosure controls and procedures were operating effectively as of June 30, 2015.

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

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PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Information regarding our litigation and other legal proceedings can be found in Note 11, *Commitments and Contingencies*, to the Consolidated Financial Statements, which is incorporated into this Item 1 by reference.

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

In July 2015, the Texas Commission on Environmental Quality (TCEQ) issued a Proposed Agreed Order to Houston Refining LP pertaining to a Clean Air Act Title V air permit inspection covering the years 2013 and 2014. TCEQ has asserted an administrative penalty demand for this matter of $118,127.

Also in July 2015, the TCEQ issued a Proposed Agreed Order to Houston Refining LP pertaining to an emissions event which occurred in August 2014. TCEQ has asserted an administrative penalty demand for this matter of $100,000.

Additional information about certain environmental proceedings can be found in Part I, Item 3 of our 2014 Annual Report on Form 10-K.

Item 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Item 1A of our 2014 Annual Report on Form 10-K.

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

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (1)
April 1 April 30	2,824,175	$95.80	2,824,175	1,371,412
May 1 May 31	1,926,230	$103.05	1,926,230	46,695,701
June 1 June 30	3,173,792	$103.21	3,173,792	43,521,909
Total	7,924,197	$100.53	7,924,197	43,521,909

(1) On May 6, 2015, we announced a share repurchase program of up to 47,250,519 of our ordinary shares through November 6, 2016. The maximum number of shares that may yet be purchased is not necessarily an indication of the number of shares that will ultimately be purchased.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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Item 6. EXHIBITS

10.1	LyondellBasell Executive Severance Plan, Amended & Restated, Effective as of June 1, 2015 and Form of Participation Agreement (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on June 5, 2015)
10.2	Consent Agreement, dated June 5, 2015, among LyondellBasell Industries N.V. and LYB Americas Finance Company, as Borrowers, Bank of America, N.A., as Administrative Agent and the lender parties thereto (incorporated by reference to Exhibit 10 to our Current Report on Form 8-K filed with the SEC on June 9, 2015)
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32	Certifications pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LYONDELLBASELL INDUSTRIES N.V.

Date: July 28, 2015

/s/ William B. Allen, Jr.
William B. Allen, Jr.
Vice President of Finance
(*Principal Financial and Accounting Officer*)

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