LyondellBasell Industries N.V.
Form 10-Q
August 03, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended June 30, 2018

or

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

For the transition period from to

Commission file number: 001-34726

LYONDELLBASELL INDUSTRIES N.V.
(Exact name of registrant as specified in its charter)

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

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

(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨
Emerging growth company	¨		

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No 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 389,323,996 ordinary shares, €0.04 par value, outstanding at July 31, 2018 (excluding 189,119,167 treasury shares).

LYONDELLBASELL INDUSTRIES N.V.
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PART I. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

LYONDELLBASELL INDUSTRIES N.V.
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars, except earnings per share	2018	2017	2018	2017
Sales and other operating revenues:				
Trade	$9,985	$8,220	$19,515	$16,463
Related parties	221	183	458	370
	10,206	8,403	19,973	16,833
Operating costs and expenses:				
Cost of sales	8,290	6,601	16,302	13,592
Selling, general and administrative expenses	261	200	494	404
Research and development expenses	29	25	57	50
	8,580	6,826	16,853	14,046
Operating income	1,626	1,577	3,120	2,787
Interest expense	(91)	(95)	(182)	(302)
Interest income	15	4	26	10
Other income, net	16	29	40	59
Income from continuing operations before equity investments and income taxes	1,566	1,515	3,004	2,554
Income from equity investments	68	78	164	159
Income from continuing operations before income taxes	1,634	1,593	3,168	2,713
Provision for (benefit from) income taxes	(21)	459	282	774
Income from continuing operations	1,655	1,134	2,886	1,939
Loss from discontinued operations, net of tax	(1)	(4)	(1)	(12)
Net income	1,654	1,130	2,885	1,927
Net loss attributable to non-controlling interests	—	1	—	1
Net income attributable to the Company shareholders	$1,654	$1,131	$2,885	$1,928
Earnings per share:				
Net income (loss) attributable to the Company shareholders —				
Basic:				
Continuing operations	$4.23	$2.83	$7.34	$4.82
Discontinued operations	—	(0.01)	—	(0.03)
	$4.23	$2.82	$7.34	$4.79
Diluted:				
Continuing operations	$4.22	$2.82	$7.33	$4.81
Discontinued operations	—	(0.01)	—	(0.03)
	$4.22	$2.81	$7.33	$4.78

See Notes to the Consolidated Financial Statements.

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LYONDELLBASELL INDUSTRIES N.V.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Millions of dollars	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net income	$1,654	$1,130	$2,885	$1,927
Other comprehensive income (loss), net of tax –				
Financial derivatives	31	(21)	38	1
Unrealized losses on available-for-sale debt securities	—	(1)	—	(2)
Unrealized gains (losses) on equity securities and equity securities held by equity investees	—	(5)	—	4
Defined pension and other postretirement benefit plans	7	6	14	13
Foreign currency translations	(95)	84	(55)	120
Total other comprehensive income (loss), net of tax	(57)	63	(3)	136
Comprehensive income	1,597	1,193	2,882	2,063
Comprehensive loss attributable to non-controlling interests	—	1	—	1
Comprehensive income attributable to the Company shareholders	$1,597	$1,194	$2,882	$2,064

See Notes to the Consolidated Financial Statements.

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LYONDELLBASELL INDUSTRIES N.V.
CONSOLIDATED BALANCE SHEETS

Millions of dollars	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$2,384	$ 1,523
Restricted cash	2	5
Short-term investments	933	1,307
Accounts receivable:		
Trade, net	3,699	3,359
Related parties	190	180
Inventories	4,096	4,217
Prepaid expenses and other current assets	1,045	1,147
Total current assets	12,349	11,738
Property, plant and equipment at cost	17,164	16,570
Less: Accumulated depreciation	(5,854)	(5,573)
Property, plant and equipment, net	11,310	10,997
Investments and long-term receivables:		
Investment in PO joint ventures	429	420
Equity investments	1,599	1,635
Other investments and long-term receivables	22	17
Goodwill	562	570
Intangible assets, net	528	568
Other assets	224	261
Total assets	$27,023	$ 26,206

See Notes to the Consolidated Financial Statements.

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LYONDELLBASELL INDUSTRIES N.V.
CONSOLIDATED BALANCE SHEETS

Millions of dollars, except shares and par value data	June 30, 2018	December 31, 2017
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	$974	$ 2
Short-term debt	76	68
Accounts payable:		
Trade	2,489	2,258
Related parties	606	637
Accrued liabilities	1,306	1,812
Total current liabilities	5,451	4,777
Long-term debt	7,490	8,549
Other liabilities	1,805	2,275
Deferred income taxes	1,674	1,655
Commitments and contingencies		
Stockholders' equity:		
Ordinary shares, €0.04 par value, 1,275 million shares authorized, 390,343,283 and 394,512,054 shares outstanding, respectively	31	31
Additional paid-in capital	10,190	10,206
Retained earnings	17,939	15,746
Accumulated other comprehensive loss	(1,358)	(1,285)
Treasury stock, at cost, 188,096,880 and 183,928,109 ordinary shares, respectively	(16,200)	(15,749)
Total Company share of stockholders' equity	10,602	8,949
Non-controlling interests	1	1
Total equity	10,603	8,950
Total liabilities and equity	$27,023	$ 26,206

See Notes to the Consolidated Financial Statements.

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LYONDELLBASELL INDUSTRIES N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of dollars	Six Months Ended June 30, 2018	2017
Cash flows from operating activities:		
Net income	$2,885	$1,927
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	599	582
Amortization of debt-related costs	7	8
Charges related to repayment of debt	—	48
Share-based compensation	24	21
Equity investments –		
Equity income	(164)	(159)
Distributions of earnings, net of tax	192	189
Deferred income taxes	82	133
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(324)	(138)
Inventories	9	(95)
Accounts payable	215	(229)
Other, net	(792)	(49)
Net cash provided by operating activities	2,733	2,238
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(925)	(828)
Payments for repurchase agreements	—	(512)
Proceeds from repurchase agreements	—	381
Purchases of available-for-sale debt securities	(50)	(653)
Proceeds from sales and maturities of available-for-sale debt securities	410	487
Proceeds from maturities of held-to-maturity securities	—	75
Purchases of equity securities	(19)	—
Proceeds from sales of equity securities	32	—
Proceeds from settlement of net investment hedges	498	—
Payments for settlement of net investment hedges	(473)	—
Other, net	(62)	(4)
Net cash used in investing activities	(589)	(1,054)

See Notes to the Consolidated Financial Statements.

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LYONDELLBASELL INDUSTRIES N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of dollars	Six Months Ended June 30, 2018	2017
Cash flows from financing activities:		
Repurchases of Company ordinary shares	(470)	(570)
Dividends paid	(787)	(704)
Issuance of long-term debt	—	990
Repayment of long-term debt	—	(1,000)
Debt extinguishment costs	—	(65)
Payments of debt issuance costs	—	(8)
Other, net	(8)	(2)
Net cash used in financing activities	(1,265)	(1,359)
Effect of exchange rate changes on cash	(21)	37
Increase (decrease) in cash and cash equivalents and restricted cash	858	(138)
Cash and cash equivalents and restricted cash at beginning of period	1,528	878
Cash and cash equivalents and restricted cash at end of period	$2,386	$740

See Notes to the Consolidated Financial Statements.

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

Millions of dollars	Ordinary Shares Issued	Ordinary Shares Treasury	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Company Share of Stockholders' Equity	Non-Controlling Interests
Balance, December 31, 2017	$31	$(15,749)	$10,206	$15,746	$ (1,285)	$ 8,949	$ 1
Adoption of accounting standards	—	—	—	95	(70)	25	—
Net income	—	—	—	2,885	—	2,885	—
Other comprehensive loss	—	—	—	—	(3)	(3)	—
Share-based compensation	—	27	12	—	—	39	—
Dividends ($2.00 per share)	—	—	—	(787)	—	(787)	—
Repurchases of Company ordinary shares	—	(478)	—	—	—	(478)	—
Purchase of non-controlling interest	—	—	(28)	—	—	(28)	—
Balance, June 30, 2018	$31	$(16,200)	$10,190	$17,939	$ (1,358)	$ 10,602	$ 1

See Notes to the Consolidated Financial Statements.

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LYONDELLBASELL INDUSTRIES N.V

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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LYONDELLBASELL INDUSTRIES N.V

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

1. Basis of Presentation

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

The accompanying Consolidated Financial Statements are unaudited and have been prepared from the books and records of LyondellBasell N.V. in accordance with the instructions to Form 10-Q and Rule 10-1 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States ("U.S. GAAP") for complete financial statements. In our opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair statement have been included. The results for interim periods are not necessarily indicative of results for the entire year. These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

2. Accounting and Reporting Changes

Standard	Description	Period of Adoption	Effect on the Consolidated Financial Statements
Recently Adopted Guidance			
Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) (including subsequent amendments: ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20)	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 expected to be received in exchange for those goods and services. This guidance also enhanced related disclosures and was effective for annual and interim periods beginning after December 15, 2017.	First quarter of 2018	See Note 3 for disclosures related to the adoption of this guidance.
ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities	This guidance includes a requirement for equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. This guidance was effective for annual and interim periods on or after December 15, 2017.	First quarter of 2018	We adopted this guidance prospectively and recorded a cumulative effect adjustment of $15 million to beginning retained earnings.
ASU 2018-03, Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10)	This ASU was issued as part of the Financial Accounting Standards Board's ongoing agenda to make improvements clarifying the Accounting Standards Codification and provides technical corrections and improvements related to ASU 2016-01. This ASU was effective for annual and interim periods beginning after December 15, 2017.	First quarter of 2018	No material impact upon adoption.

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LYONDELLBASELL INDUSTRIES N.V

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Standard	Description	Period of Adoption	Effect on the Consolidated Financial Statements
ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory	This ASU is aimed at reducing complexity in accounting standards. Under current GAAP, the tax effects of intra-entity asset transfers (intercompany sales) are deferred until the transferred asset is sold to a third party or otherwise recovered through use. This new guidance eliminates the exception for all intra-entity sales of assets other than inventory. A reporting entity would be required to recognize tax expense from the sale of assets in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. This guidance was effective for annual periods beginning after December 15, 2017.	First quarter of 2018	We adopted this guidance using the modified-retrospective method and recorded a cumulative-effect adjustment of $9 million to beginning retained earnings.
ASU 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	This guidance permits entities to reclassify tax effects stranded in accumulated other comprehensive income as a result of the U.S.-enacted "H.R.1," also known as the "Tax Cuts and Jobs Act" (the "Tax Act") to retained earnings. This amendment will be effective for annual and interim periods beginning after December 15, 2018.	First quarter of 2018 (early adopted)	We adopted this guidance using the specific identification method and recorded a cumulative-effect adjustment of $52 million to beginning retained earnings.
ASU 2017-01, Clarifying the Definition of a Business	This ASU clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether a transaction should be accounted for as an acquisition or disposal of an asset or a business. This amendment was effective for annual and interim periods beginning after December 15, 2017.	First quarter of 2018	The prospective adoption of this guidance did not have a material impact.
ASU 2017-05, Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets	This guidance provides clarification about the term in substance nonfinancial asset, other aspects of the scope of Subtopic 610-20 Other Income, and how an entity should account for partial sales of nonfinancial assets once the amendments in ASU 2014-09 become effective. This amendment was effective for annual and interim periods beginning after December 15, 2017.	First quarter of 2018	The retrospective adoption of this guidance did not have a material impact.

ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	This guidance requires changes in presentation of current service cost and other components of net benefit cost. This amendment was effective for annual and interim periods beginning after December 15, 2017.	First quarter of 2018	The retrospective adoption of this guidance did not have a material impact.
ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities	This guidance makes more financial and nonfinancial hedging strategies eligible for hedge accounting and amends the presentation and disclosure requirements while changing how companies assess effectiveness. These amendments will be effective for annual and interim periods beginning after December 15, 2018.	First quarter of 2018 (early adopted)	No material impact upon adoption.

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LYONDELLBASELL INDUSTRIES N.V

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Standard	Description	Period of Adoption	Effect on the Consolidated Financial Statements
Accounting Guidance Issued But Not Adopted as of June 30, 2018			
ASU 2016-02, Leases (Topic 842) (including subsequent amendments: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842, ASU 2018-10, Codification Improvements to Topic 842, and ASU 2018-11, Leases, Targeted Improvements)	This guidance, as amended, requires lessee leases with a term longer than 12 months to be recognized as a lease liability and a right-of-use asset representing the right to use the underlying asset for the lease term. Topic 842 retains a classification distinction between finance leases and operating leases, with the classification affecting the pattern of expense recognition in the income statement. Enhanced disclosures are also required.	January 1, 2019	We are currently assessing the impact of this guidance, as amended, on our Consolidated Financial Statements through review of existing lease contracts and other purchase obligations that contain embedded lease features, which are generally classified as operating leases under the existing guidance. We will complete any required changes to our systems and processes, including updating our internal controls during 2018.
ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	This guidance, as amended, modifies the current incurred loss model of recognizing credit losses and requires a current expected credit loss model which requires utilizing historical, current and forecasted information to develop a current estimate of credit losses for financial assets recorded either at amortized costs, or fair valued through Other Comprehensive Income. The guidance will be effective for public entities for annual and interim periods beginning after December 15, 2019.	January 1, 2020 (early adoption permitted)	We are currently assessing the impact of the amendment of this guidance on our Consolidated Financial Statements.

3. Revenues

Adoption of new revenue accounting guidance—On January 1, 2018, we adopted the accounting standard ASC 606, Revenue from Contracts with Customers and all related amendments using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. We recognized an $18 million adjustment to the beginning retained earnings balance for the cumulative effect of initially applying the new standard. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The impact of the adoption of this new guidance was immaterial for the six months ended June 30, 2018, and we expect the impact to be immaterial to our Consolidated Financial Statements on an ongoing basis.

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

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LYONDELLBASELL INDUSTRIES N.V

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Contract Balances—Contract balances typically arise when a difference in timing between the transfer of control to the customer and receipt of consideration occurs. Our contract liabilities, which are reflected in our Consolidated Financial Statements as Accrued liabilities and Other liabilities, consist primarily of customer payments for products or services received before the transfer of control to the customer occurs. These contract liabilities were $121 million as of June 30, 2018. Revenue recognized in the reporting period included in the contract liability balance at the beginning of the period was immaterial.

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

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

The following table presents our revenues disaggregated by key products for the three and six months ended June 30, 2018:

Millions of dollars	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Sales and other operating revenues:		
Olefins & co-products	$946	$1,966
Polyethylene	1,957	3,935
Polypropylene	2,277	4,608
PO & derivatives	658	1,307
Oxyfuels and related products	941	1,736
Intermediate chemicals	921	1,769
Refined products	2,298	4,300
Other	208	352

Total	$10,206	$19,973

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LYONDELLBASELL INDUSTRIES N.V

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

The following table presents our revenues disaggregated by geography, based upon the location of the customer, for the three and six months ended June 30, 2018:

Millions of dollars	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Sales and other operating revenues:		
United States	$4,864	$9,517
Germany	764	1,585
Italy	433	827
France	397	747
Mexico	600	1,078
The Netherlands	300	576
Other	2,848	5,643
Total	$10,206	$19,973

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

4. Accounts Receivable

Our allowance for doubtful accounts receivable, which is reflected in the Consolidated Balance Sheets as a reduction of accounts receivable, was $17 million at June 30, 2018 and December 31, 2017.

5. Inventories

Inventories consisted of the following components:

Millions of dollars	June 30, 2018	December 31, 2017
Finished goods	$ 2,724	$ 2,932
Work-in-process	164	142
Raw materials and supplies	1,208	1,143
Total inventories	$ 4,096	$ 4,217

LYONDELLBASELL INDUSTRIES N.V

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

6. Debt

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

Millions of dollars	June 30, 2018	December 31, 2017
Senior Notes due 2019, $1,000 million, 5.0% ($2 million of debt issuance cost)	$971	$ 961
Senior Notes due 2021, $1,000 million, 6.0% ($6 million of debt issuance cost)	962	981
Senior Notes due 2024, $1,000 million, 5.75% ($7 million of debt issuance cost)	993	992
Senior Notes due 2055, $1,000 million, 4.625% ($16 million of discount; $11 million of debt issuance cost)	973	973
Guaranteed Notes due 2022, €750 million, 1.875% ($2 million of discount; $3 million of debt issuance cost)	870	894
Guaranteed Notes due 2023, $750 million, 4.0% ($6 million of discount; $3 million of debt issuance cost)	741	740
Guaranteed Notes due 2027, $1,000 million, 3.5% ($9 million of discount; $7 million of debt issuance cost)	943	984
Guaranteed Notes due 2027, $300 million, 8.1%	300	300
Guaranteed Notes due 2043, $750 million, 5.25% ($21 million of discount; $7 million of debt issuance cost)	722	722
Guaranteed Notes due 2044, $1,000 million, 4.875% ($11 million of discount; $9 million of debt issuance cost)	980	979
Other	9	25
Total	8,464	8,551
Less current maturities	(974)	(2)
Long-term debt	$7,490	$ 8,549

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

		Gains (Losses)				Cumulative Fair Value Hedging Adjustments Included in Carrying Amount of Debt	
	Inception Year	Three Months Ended June 30,		Six Months Ended June 30,		June 30,	December 31,
Millions of dollars		2018	2017	2018	2017	2018	2017
Senior Notes due 2019, 5.0%	2014	$(8)	$(6)	$(9)	$(42)	$ 27	$ 36
Senior Notes due 2021, 6.0%	2016	6	(5)	20	(3)	32	12
Guaranteed Notes due 2027, 3.5%	2017	11	(9)	42	(10)	41	(1)
Guaranteed Notes due 2022, 1.875%	2018	(1)	—	(1)	—	(1)	—
Total		$8	$(20)	$52	$(55)	$ 99	$ 47

The cumulative fair value hedging adjustments remaining at June 30, 2018 and December 31, 2017 associated with our Senior Notes due 2019 includes $19 million and $31 million, respectively, for hedges that have been discontinued. The $42 million loss in the six months ended June 30, 2017 included a $44 million charge for the write-off of the cumulative fair value hedging adjustment related to our 5% Senior Notes due 2019 described below. These fair value adjustments are recognized in Interest expense in the Consolidated Statements of Income.

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LYONDELLBASELL INDUSTRIES N.V

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, 2018	December 31, 2017
$2,500 million Senior Revolving Credit Facility	$ —	$ —
$900 million U.S. Receivables Facility	—	—
Commercial paper	—	—
Precious metal financings	73	64
Other	3	4
Total short-term debt	$ 76	$ 68

Long-Term Debt

Guaranteed Notes due 2027—In March 2017, LYB International Finance II B.V. ("LYB Finance II"), a direct, 100% owned finance subsidiary of LyondellBasell Industries N.V., as defined in Rule 3-10(b) of Regulation S-X, issued $1,000 million of 3.5% guaranteed notes due 2027 at a discounted price of 98.968%.

Senior Notes due 2019—In March 2017, we redeemed $1,000 million aggregate principal amount of our outstanding 5% senior notes due 2019, and paid $65 million in make-whole premiums. In conjunction with the redemption of these notes, we recognized non-cash charges of $4 million for the write-off of unamortized debt issuance costs and $44 million for the write-off of the cumulative fair value hedge accounting adjustment related to the redeemed notes. The remaining balance of these notes is due in April 2019 and is reflected in our Consolidated Balance Sheets in Current maturities of long-term debt.

Short-Term Debt

Senior Revolving Credit Facility—Our $2,500 million revolving credit facility, which expires in June 2022, may be used for dollar and euro denominated borrowings, has a $500 million sublimit for dollar and euro denominated letters of credit, a $1,000 million uncommitted accordion feature, and supports our commercial paper program. The aggregate balance of outstanding borrowings, including amounts outstanding under our commercial paper program, and letters of credit under this facility may not exceed $2,500 million at any given time. Borrowings under the facility bear interest at a Base Rate or LIBOR, plus an applicable margin. Additional fees are incurred for the average daily unused commitments.

The facility contains customary covenants and warranties, including specified restrictions on indebtedness and liens. In addition, we are required to maintain a leverage ratio at the end of every fiscal quarter of 3.50 to 1.00 or less for the period covering the most recent four quarters. We are in compliance with these covenants as of June 30, 2018.

Commercial Paper Program—We have a commercial paper program under which we may issue up to $2,500 million of privately placed, unsecured, short-term promissory notes ("commercial paper"). This program is backed by our $2,500 million senior revolving credit facility. Proceeds from the issuance of commercial paper may be used for general corporate purposes, including dividends and share repurchases.

U.S. Receivables Facility—In July 2018, we amended our U.S. accounts receivable facility to, among other things, extend the term of the facility to July 2021. The facility has a purchase limit of $900 million in addition to a $300 million uncommitted accordion feature. This facility provides liquidity through the sale or contribution of trade receivables by certain of our U.S. subsidiaries to a wholly owned, bankruptcy-remote subsidiary on an ongoing basis and without recourse. The bankruptcy-remote subsidiary may then, at its option and subject to a borrowing base of eligible receivables, sell undivided interests in the pool of trade receivables to financial institutions participating in the facility. In the event of liquidation, the bankruptcy-remote subsidiary's assets will be used to satisfy the claims of its creditors prior to any assets or value in the bankruptcy-remote subsidiary becoming available to us. We are responsible for servicing the receivables. This facility also provides for the issuance of letters of credit up to $200 million. The term of the facility may be extended in accordance with the terms of the agreement. The facility is also subject to customary warranties and covenants, including limits and reserves and the

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maintenance of specified financial ratios. We are required to maintain a leverage ratio at the end of every fiscal quarter of 3.50 to 1.00 or less for the period covering the most recent four quarters. Performance obligations under the facility are guaranteed by the parent company. Additional fees are incurred for the average daily unused commitments.

At June 30, 2018, there were no borrowings or letters of credit under the facility.

Weighted Average Interest Rate—At June 30, 2018 and December 31, 2017, our weighted average interest rate on outstanding short-term debt was 4.4% and 1.8%, respectively.

Debt Discount and Issuance Costs—In the six months ended June 30, 2018 and 2017, amortization of debt discounts and debt issuance costs resulted in amortization expense of $7 million and $12 million, respectively, which is included in Interest expense in the Consolidated Statements of Income.

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

7. Financial Instruments and Fair Value Measurements

We are exposed to market risks, such as changes in commodity pricing, currency exchange rates and interest rates. To manage the volatility related to these exposures, we selectively enter into derivative transactions pursuant to our risk management policies.

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

At June 30, 2018 and December 31, 2017, we had marketable securities classified as Cash and cash equivalents of $1,985 million and $1,035 million, respectively.

Foreign Currency Gain (Loss)—Other income, net, in the Consolidated Statements of Income reflected foreign currency gains of $3 million and $9 million for the three and six months ended June 30, 2018, respectively, and foreign currency losses of less than $1 million and $6 million for the three and six months ended June 30, 2017, respectively.

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LYONDELLBASELL INDUSTRIES N.V

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Financial Instruments Measured at Fair Value on a Recurring Basis—The following table summarizes financial instruments outstanding as of June 30, 2018 and December 31, 2017 that are measured at fair value on a recurring basis:

Millions of dollars	June 30, 2018 Notional Amount	June 30, 2018 Fair Value	December 31, 2017 Notional Amount	December 31, 2017 Fair Value	Balance Sheet Classification
Assets–					
Derivatives designated as hedges:					
Commodities	$50	$2	$—	$—	Prepaid expenses and other current assets
Foreign currency	235	27	—	26	Prepaid expenses and other current assets
Foreign currency	2,000	49	2,000	25	Other assets
Interest rates	1,000	45	—	20	Prepaid expenses and other current assets
Interest rates	247	1	650	1	Other assets
Derivatives not designated as hedges:					
Commodities	101	7	77	20	Prepaid expenses and other current assets
Foreign currency	703	6	19	—	Prepaid expenses and other current assets
Non-derivatives:					
Available-for-sale debt securities	590	590	960	960	Short-term investments
Equity securities	339	343	350	347	Short-term investments
Total	$5,265	$1,070	$4,056	$1,399	
Liabilities–					
Derivatives designated as hedges:					
Commodities	$2	$—	$97	$8	Accrued liabilities
Commodities	2	—	5	—	Other liabilities
Foreign currency	374	24	139	29	Accrued liabilities
Foreign currency	950	102	950	140	Other liabilities
Interest rates	1,000	12	—	5	Accrued liabilities
Interest rates	2,200	73	3,350	58	Other liabilities
Derivatives not designated as hedges:					
Commodities	101	6	108	29	Accrued liabilities
Foreign currency	513	1	995	11	Accrued liabilities
Non-derivatives:					
Performance share awards	32	32	23	23	Accrued liabilities
Performance share awards	2	2	27	27	Other liabilities
Total	$5,176	$252	$5,694	$330	

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

At June 30, 2018, our outstanding foreign currency and commodity contracts not designated as hedges mature from July 2018 to August 2018 and from July 2018 to June 2019, respectively.

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LYONDELLBASELL INDUSTRIES N.V

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Financial Instruments Not Measured at Fair Value on a Recurring Basis—The following table presents the carrying value and estimated fair value of our financial instruments that are not measured at fair value on a recurring basis as of June 30, 2018 and December 31, 2017. Short-term loans receivable, which represent our repurchase agreements, and short-term and long-term debt are recorded at amortized cost in the Consolidated Balance Sheets. The carrying fair values of short-term and long-term debt exclude capital leases and commercial paper.

	June 30, 2018		December 31, 2017	
Millions of dollars	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-derivatives:				
Assets:				
Short-term loans receivable	$554	$554	$570	$570
Liabilities:				
Short-term debt	$73	$69	$64	$75
Long-term debt	8,455	8,847	8,526	9,442
Total	$8,528	$8,916	$8,590	$9,517

All financial instruments in the table above are classified as Level 2. There were no transfers between Level 1 and Level 2 for any of our financial instruments during the six months ended June 30, 2018 and the year ended December 31, 2017.

Net Investment Hedges—In March 2018, we entered into €400 million of foreign currency contracts that were designated as net investment hedges. These foreign currency contracts expired on June 15, 2018. Upon settlement of these contracts we paid €400 million ($473 million at the expiry spot rate) to our counterparties and received $498 million from our counterparties.

In June 2018, we entered into €400 million of foreign currency contracts that were designated as net investment hedges.

In 2017, we entered into €617 million of foreign currency contracts that were designated as net investment hedges.

In 2016, we issued euro denominated notes payable due 2022 with notional amounts totaling €750 million that were designated as a net investment hedge. In May 2018, we dedesignated and redesignated a €125 million tranche of our euro denominated notes payable due 2022 as a net investment hedge.

At June 30, 2018 and December 31, 2017, we had outstanding foreign currency contracts with an aggregate notional value of €1,142 million ($1,259 million) and €742 million ($789 million), respectively, designated as net investment hedges. In addition, at June 30, 2018 and December 31, 2017 we had outstanding foreign-currency denominated debt, with notional amounts totaling €750 million ($858 million) and €750 million ($899 million), respectively, designated as a net investment hedge.

There was no ineffectiveness recorded during the three and six months ended June 30, 2017 related to these hedging relationships.

Cash Flow Hedges—The following table summarizes our cash flow hedges outstanding at June 30, 2018 and December 31, 2017:

Millions of dollars	June 30, 2018 Notional Value	December 31, 2017 Notional Value	Expiration Date
Foreign currency	$ 2,300	$ 2,300	2021 to 2027
Interest rates	1,300	1,000	2019 to 2021
Commodities	54	102	2018 to 2019

There was less than $1 million ineffectiveness recorded during the three and six months ended June 30, 2017 related to these hedging relationships.

In June 2018 and July 2018, we entered into forward-starting interest rate swaps with a total notional amount of $300 million and $200 million, respectively, to mitigate the risk of variability in interest rates for an expected debt issuance by November 2021. These swaps were designated as cash flow hedges and will be terminated upon debt issuance.

As of June 30, 2018, less than $1 million (on a pretax basis) is scheduled to be reclassified as a decrease to interest expense and $2 million (on a pretax basis) is scheduled to be reclassified as a decrease to cost of sales over the next twelve months.

Fair Value Hedges—In May 2018, we entered into a euro fixed-for-floating interest rate swap to mitigate the change in the fair value of €125 million ($147 million) of our €750 million notes payable due 2022 associated with the risk of variability in the 6-month EURIBOR rate (the benchmark interest rate). The fixed-rate and variable-rate are settled annually and semi-annually, respectively.

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

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

We had outstanding interest rate contracts with aggregate notional amounts of $3,147 million and $3,000 million at June 30, 2018 and December 31, 2017, respectively, designated as fair value hedges. Our interest rate contracts outstanding at June 30, 2018 mature from 2019 to 2027.

There was less than $1 million of ineffectiveness recorded for the three and six months ended June 30, 2017 related to these hedging relationships.

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LYONDELLBASELL INDUSTRIES N.V

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Impact on Earnings and Other Comprehensive Income—The following table summarizes the pre-tax effect of derivative instruments and non-derivative instruments on Other comprehensive income and earnings for the three and six months ended June 30, 2018 and 2017:

	Effect of Financial Instruments Three Months Ended June 30,						
	Gain (Loss) Recognized in AOCI		Gain (Loss) Reclassified from AOCI to Income		Gain (Loss) Recognized in Income		Income Statement
Millions of dollars	2018	2017	2018	2017	2018	2017	Classification
Derivatives designated as net investment hedges:							
Foreign currency	$78	$(91)	$—	$—	$8	$—	Interest expense
Derivatives designated as cash flow hedges:							
Commodities	9	(6)	—	—	—	—	Cost of sales
Foreign currency	134	(128)	(124)	133	11	—	Other income, net; Interest expense
Interest rates	17	(24)	—	—	—	—	Interest expense
Derivatives designated as fair value hedges:							
Interest rates	—	—	—	—	(16)	19	Interest expense
Derivatives not designated as hedges:							
Commodities	—	—	—	—	(2)	(2)	Sales and other operating revenues
Commodities	—	—	—	—	13	(7)	Cost of sales
Foreign currency	—	—	—	—	36	—	Other income, net
Non-derivatives designated as net investment hedges:							
Long-term debt	50	(54)	—	—	—	—	Other income, net
Total	$288	$(303)	$(124)	$133	$50	$10	

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LYONDELLBASELL INDUSTRIES N.V

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Effect of
Financial
Instruments
Six Months
Ended June
30,