# LyondellBasell Industries N.V.

# Financial Report

## For the Year Ended 31 December 2017

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## 1 About LyondellBasell

LyondellBasell Industries N.V. is a global, independent chemical company and was incorporated under Dutch law on 15 October 2009. Unless otherwise indicated, the "Company," "we," "our," "us" and "LyondellBasell" are used in this report to refer to the businesses of LyondellBasell Industries N.V. and its consolidated subsidiaries. We are one of the world's top five independent chemical companies based on 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 customers use our plastics and chemicals to manufacture a wide range of products that people use in their everyday lives including food packaging, home furnishings, automotive components, paints and coatings. Our refining business consists of our Houston refinery, which processes crude oil into products such as gasoline, diesel and jet fuel.

Our financial performance is influenced by the supply and demand for our products, the cost and availability of feedstocks, global and regional competitor capacity, our operational efficiency and our ability to control costs. We have a strong operational focus and, as a producer of large volume commodities, continuously strive to differentiate ourselves through safe, reliable and low-cost operations in all our businesses. We purchase large quantities of natural gas, electricity and steam which we use as energy to fuel our facilities. We also purchase large quantities of natural gas and crude oil derivatives which we use as feedstocks. During recent years the cost of natural gas-derived raw materials in the U.S. versus the global cost of crude oil-derived raw materials has had a significant positive influence on the profitability of our North American operations. While the North American feedstock advantage has declined more recently with lower oil prices and resulting lower olefin prices, improved product supply and demand fundamentals in several businesses, notably global polyolefins products, have partially offset the decline.

We and our subsidiaries employed approximately 13,400 full-time and part-time employees at 31 December 2017, similar to 2016 levels. In addition to our own employees, we also use the services of contractors in the routine conduct of our businesses.

We manage our operations through five operating segments. Our reportable segments are:

- **Olefins and Polyolefins–Americas ("O&P–Americas").** Our O&P–Americas segment produces and markets olefins and co-products, polyethylene and polypropylene.

- **Olefins and Polyolefins–Europe, Asia, International ("O&P–EAI").** Our O&P–EAI segment produces and markets olefins and co-products, polyethylene, and polypropylene, including polypropylene compounds.

- **Intermediates and Derivatives ("I&D").** Our I&D segment produces and markets propylene oxide and its derivatives, oxyfuels and related products, and intermediate chemicals; such as, styrene monomer, acetyls, ethylene oxide and ethylene glycol.

- **Refining.** Our Refining segment refines heavy, high-sulfur crude oil and other crude oils of varied types and sources available on the U.S. Gulf Coast into fuel products including gasoline and distillates.

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

# 2 Report of the Management Board

## 2.1 Operational and Financial Overview

This discussion 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" or 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 benchmarks for refining margins are to industry prices reported by The McGraw-Hill Companies.

Highlights for the period ended 31 December 2017:

- Profit for the year of $5.1 billion ($4.2 billion in 2016);
- Repurchased approximately 10.0 million of our ordinary shares (36.6 million ordinary shares in 2016);
- Increased our interim dividends in 2017 from $0.85 to $0.90 per share (from $0.78 to $0.85 per share in 2016);
- Paid dividends totaling $1.4 billion in 2017 ($1.4 billion in 2016);
- Non-cash benefit of $849 million recognized in the fourth quarter of 2017 related to the lower federal income tax rate resulting from the newly enacted U.S. Tax Cuts and Job Act;
- Senior unsecured debt rating raised to BBB+ from BBB by Standard and Poor's Rating Services in September 2017, matching our corporate investment-grade rating;
- Final investment decision announced in July 2017 to build a world-scale PO/TBA plant in Texas with a capacity of 1 billion pounds of PO and 2.2 billion pounds of TBA. Construction is expected to commence in the second half of 2018;
- Issued $1,000 million of 3.5% guaranteed notes due 2027 in March 2017, used to redeem $1,000 million aggregate principal amount of our outstanding 5% senior notes due 2019; and
- Had liquidity of $6.9 billion ($5.1 billion in 2016), including cash of $1,579 million and $1,307 million of available-for-sale financial assets at year end ($946 and $1,073 million in 2016). We also held $570 million of tri-party repurchase agreements classified as other receivables and had total unused availability under our credit facilities of $3,400 million ($369 and $2,710 million in 2016).

**LyondellBasell Industries N.V.**

The following selected financial data of the Company should be read in conjunction with the Consolidated Financial Statements and related notes thereto and Management's discussion and analysis of our results of operations below. The selected financial data of the Company is derived from its audited Consolidated Financial Statements.

| | Year Ended 31 December | |
|---|---|---|
| **Millions of U.S. Dollars (except for earnings per share amounts)** | **2017** | **2016** |
| **Results of Operations Data** | | |
| Revenue | $ 34,592 | $ 29,283 |
| Operating profit | 5,862 | 5,769 |
| Finance costs | 363 | 405 |
| Depreciation, amortization and impairments | 1,226 | 1,080 |
| Profit for the year | 5,062 | 4,193 |
| Earnings per share: | | |
| Basic | 12.70 | 9.99 |
| Diluted | 12.70 | 9.97 |
| **Balance Sheet Data** | | |
| Total equity | 8,556 | 5,540 |
| Borrowings | 8,707 | 9,089 |
| Cash and cash equivalents | (1,579) | (946) |
| Net debt | 7,128 | 8,143 |
| Trade and other receivables | 4,614 | 3,650 |
| Inventories | 4,215 | 3,534 |
| Trade and other payables | (4,145) | (3,501) |
| Net working capital | 4,684 | 3,683 |
| **Cash Flow Data** | | |
| Net cash provided by (used in): | | |
| Operating activities | 4,977 | 5,234 |
| Investing activities | (1,544) | (1,925) |
| Including purchase of property, plant and equipment | (1,547) | (2,243) |
| Financing activities | (2,859) | (3,349) |

We demonstrated the strength of our earnings performance under dynamic market conditions in 2017 with increased volumes, improved EBITDA and higher earnings relative to 2016. The complementary performance of our O&P–Americas and O&P–EAI segments combined with the relative stability of our I&D segment's portfolio provided a resilient platform for profitability in 2017. Global operating rates remained strong in 2017 due to delays in new capacity, a volume shortfall from Hurricane Harvey and an improving market in China. Our reliable performance during the year positioned us to capture market opportunities as they arose. We also advanced our growth program by commencing construction on our new Hyperzone high-density polyethylene plant in La Porte, Texas and reaching a final investment decision for a world-scale PO/TBA plant.

Significant items that affected 2017 results include:

- Improved Olefins and Polyolefins–Americas (“O&P–Americas”) results driven by the impact of higher olefins volumes relative to 2016 following completion of our Corpus Christi expansion in late 2016;
- Higher Olefins and Polyolefins–Europe, Asia, International (“O&P–EAI”) segment results on higher olefins margins and increased volumes on most products, partly offset by lower polyethylene margins;
- Higher Intermediates and Derivatives (“I&D”) segment results driven mainly by higher intermediate chemicals margins; and
- Better crude processing rates, with a less unfavorable impact from planned and unplanned maintenance at our Houston refinery, and higher industry refining margins relative to 2016.

**Revenues**—We had revenues of $34,592 million in 2017 and $29,283 million in 2016.

Average sales prices in 2017 were higher across most products as sales prices generally correlate with crude oil and natural gas prices, which on average, increased compared to the corresponding period in 2016. These higher prices led to increases in revenues of 15%. Higher sales volumes in our O&P–Americas, O&P-EAI and Refining segments, which were partly offset by lower I&D segment volumes, led to a revenue increase in 2017 of 2%. Favorable foreign exchange impacts were responsible for a 1% revenue increase in 2017.

**Cost of Sales**—Cost of sales were $27,820 million in 2017 and $22,767 million in 2016.

Fluctuations in our cost of sales are generally driven by changes in feedstock and energy costs, as all other material components remain relatively flat from year to year. Feedstock and energy related costs generally represent approximately 75% to 80% of cost of sales, other variable costs account for approximately 10% of cost of sales on an annual basis and fixed operating costs, consisting primarily of expenses associated with employee compensation, depreciation and amortization, and maintenance, range from approximately 10% to 15% in each annual period. Cost of sales increased by $5,053 million, or 22%, in 2017 compared to 2016. This increase was primarily due to higher feedstock and energy costs. Raw material costs for crude oil, heavy liquids and natural gas liquids (“NGLs”) and other feedstocks were higher in 2017 relative to 2016.

**Operating Profit**—Our operating profit was $5,862 million and $5,769 million in 2017 and 2016, respectively. The $93 million increase in 2017 operating profit was primarily due to increases of $ 268 million, $103 million and $26 million in operating profits for our O&P–EAI, I&D and Refining segments, respectively and $ 122 million of favorable foreign exchange impacts. These were partly offset due to decreases of $160 million and $27 million in the operating profits of our O&P—Americas and Technology segments, respectively, and $272 million of losses related to financial derivatives.

**Finance Costs—**Finance costs were $363 million in 2017 and $405 million in 2016. The $42 million decrease in Finance Costs was primarily due to higher foreign exchange gains amounting $215 million resulting from stronger Euro to US dollar partially offset by $172 million higher interest expense on borrowings as explained below.

We recognized charges totaling $113 million related to the March 2017 redemption of $1,000 million of our outstanding 5% senior notes due 2019. These charges include $65 million of prepayment premiums, $44 million for adjustments associated with fair value hedges and $4 million for the write-off of associated unamortized debt issuance costs.

Compared to 2016 and excluding the effects of fair value hedges and the charges described above, interest expense decreased $39 million in 2017 due to the redemption of our 5% senior notes due 2019 in the first quarter of 2017, and increased $35 million as a result of the related to debt issuances in March 2017 of our 3.5% guaranteed notes due 2027 and in March 2016 of our 1.875% guaranteed notes due 2022. A reduction in the amount of interest capitalized during 2017 and increased charges from our fair value hedges resulted in incremental increases in interest expense of $13 million and $45 million respectively, relative to 2016.

See Note 4 to the Consolidated Financial Statements for additional information on these fixed-for-floating interest rate and cross-currency swaps.

**Share of Profit of Investments Accounted for Using the Equity Method**—The Company had profit from investments accounted for using the equity method totaling $217 million in 2017 and $297 million in 2016. The $80 million decrease in profit from investments accounted for using the equity method decreased in 2017 mainly due to lower results for our joint ventures in Mexico and Asia.

**Income Tax—**On December 22, 2017, the U.S. enacted "H.R.1," also known as the "Tax Cuts and Jobs Act" (the "Tax Act"), materially impacting our 2017 Consolidated Financial Statements. This change in U.S. tax law included a reduction in the federal corporate tax rate from 35% to 21% for years beginning after 2017, which resulted in the remeasurement of our U.S. net deferred income tax liabilities. Based upon a preliminary assessment of the expected impact of the Tax Act, we recorded a tax benefit of $849 million as a result of the remeasurement of our deferred tax liabilities. The ultimate impact of the Tax Act on our effective tax rate will largely depend on the percentage of pretax income generated in the U.S. as compared to the rest of the world.

In September 2016, the United Kingdom enacted the so called "anti-hybrid provisions", effective for years beginning January 1, 2017, that resulted in changes to our internal financing structure which did not materially impact our consolidated financial statements. In addition, in October 2016 the U.S. Treasury issued final Section 385 debt-equity regulations that may impact our internal financings in future years. Pursuant to a recent Executive Order, the Treasury Department reviewed these regulations and determined to delay but retain these regulations, subject to further review after enactment of U.S. tax reform.

Our effective income 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 foreign exchange gains/losses, the amount of exempt income, and changes in unrecognized tax benefits associated with uncertain tax positions. Our exempt income primarily includes interest income, export incentives, and equity earnings of joint ventures. The interest income is earned by certain of our European subsidiaries through intercompany financings and is either untaxed or taxed at rates substantially lower than the U.S. statutory rate. The export incentives relate to tax benefits derived from elections and structures available for U.S. exports. The equity earnings are attributable to our joint ventures and these earnings when paid through dividends to certain European subsidiaries are eligible for participation exemptions, which exempt the dividend payments from all or portions of normal statutory income tax rates. We currently anticipate the favorable treatment for the interest income and dividends to continue in the near term; however, this treatment is based on current law and tax rulings, which could change. The foreign exchange gains/losses have a permanent impact on our effective income tax rate that can cause unpredictable movement in our effective income tax rate.

The weighted average applicable tax rates for 2017 and 2016 were 32.2% and 31.7%, respectively. The increase was primarily attributable to the change in the geographical mix of income. Our effective income tax rate of 11.8% in 2017 and 26.2% in 2016 resulted in income tax expense of $678 million and $1,485 million, respectively. Compared to 2016, the 2017 effective income tax rate decreased primarily due to the remeasurement of U.S. net deferred income tax liabilities as a result of the change in U.S. tax law, increased tax exempt income, and U.S. domestic production activity deduction.

### 2.1.1 Segment Analysis

Our operations are managed through five operating segments: O&P–Americas; O&P–EAI; I&D; Refining; and Technology. Each of the operating segments is managed by a senior executive reporting directly to our Chief Executive Officer ("CEO"), the chief operating decision maker. Discrete financial information is available for each of the segments, and our CEO uses the operating results of each of the operating segments for performance evaluation and resource allocation.

Accounting policies for internal reporting, which are based on accounting principles generally accepted in the United States of America ("U.S. GAAP"), are materially similar to those described in Summary of Significant Accounting Policies (see Note 2 of the Consolidated Financial Statements), except for:

- *Inventories*—The Company measures its inventories in accordance with the Last In, First Out ("LIFO") method, which is permitted under U.S. GAAP. According to International Accounting Standards ("IAS") 2, *Inventories*, the LIFO method is prohibited under IFRS. Therefore, inventories are measured using the First In, First Out ("FIFO") method for the Consolidated Financial Statements. This inventory measurement difference between the reportable segments and the consolidated information results in different cost of sales and net profit for the period.

- *Employee Benefits*—Under U.S. GAAP, ASC Topic 715, Compensation – Retirement Benefits ("ASC 715") requires the interest expense component of pension expense to be calculated as the product of the defined benefit liability and the discount rate. Such interest expense is netted against interest income resulting from the expected rate of return on plan assets applied to the market value of assets. The expected rate of return on plan assets is a longer term rate, and is expected to change less frequently than the discount rate, reflecting long-term market expectations, rather than current fluctuations in market conditions. Under IFRS, in accordance with IAS 19, *Employee Benefits*, the Company recognizes a net interest expense (income), which is the product of the net defined benefit liability (asset) and the discount rates, as a component of its pension expense on defined benefit plans.

  Under ASC 715, past service cost and actual return on plan assets in excess of expected return are initially recorded in other comprehensive income and subsequently recognized in earnings over the average remaining service period of the participants to the extent it exceeds the "corridor." The corridor is defined as the greater of 10 percent of the accumulated projected benefit obligation or the fair value of the plan assets as of the beginning of the year. Under IFRS, the Company immediately recognizes past service cost and net interest expense (income) as discussed above in the Consolidated Statement of Income. Actual return of plan assets in excess of recognized interest income is permanently recorded in other comprehensive income.

- *Other*—Amongst others, there are minor differences between IFRS and U.S. GAAP with respect to IFRS 11, *Joint Arrangements* as well as discontinued operations, the subsequent measurement of asset retirement obligations, cross-currency swaps, capitalization of development costs related to research and development and amortization of debt issuance costs. If material, these differences are separately disclosed in the Consolidated Financial Statements reconciliation.

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 U.S. GAAP measure and to the IFRS Operating profit, see Note 32 of the Consolidated Financial Statements.

The following tables reflect selected financial information for our reportable segments.

| | Year Ended 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| **Sales and other operating revenues:** | | |
| O&P–Americas segment | $ 10,400 | $ 9,077 |
| O&P–EAI segment | 12,263 | 10,579 |
| I&D segment | 8,472 | 7,226 |
| Refining segment | 6,848 | 5,135 |
| Technology segment | 450 | 479 |
| Other, including intersegment eliminations | (3,949) | (3,313) |
| Total | $ 34,484 | $ 29,183 |
| | | |
| **Share of profit of associates and joint ventures:** | | |
| O&P–Americas segment | $ 42 | $ 59 |
| O&P–EAI segment | 271 | 302 |
| I&D segment | 8 | 6 |
| Total | $ 321 | $ 367 |
| | | |
| **EBITDA:** | | |
| O&P–Americas segment | $ 2,982 | $ 2,877 |
| O&P–EAI segment | 2,282 | 2,067 |
| I&D segment | 1,490 | 1,333 |
| Refining segment | 157 | 72 |
| Technology segment | 223 | 262 |
| Other, including intersegment eliminations | -- | (9) |
| Total | $ 7,134 | $ 6,602 |

### *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.

EBITDA improved in 2017 due to higher olefins volumes stemming from the expansion of our Corpus Christi, Texas olefins facility in late 2016. Higher olefins and polyethylene margins in 2017 were offset by lower polypropylene margins. EBITDA for 2017 also included a $31 million gain on the sale of our Lake Charles, Louisiana, site. EBITDA for 2016 included a $57 million gain on the first quarter sale of our wholly owned Argentine subsidiary and a $29 million non-cash LCM inventory valuation charge recognized in the fourth quarter due primarily to a reduction in polypropylene prices.

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

As in recent years, strong supplies from the U.S. shale gas/oil boom resulted in ethane being a preferred feedstock in our U.S. plants in 2017. We produced 75% of our ethylene from ethane. Despite generally higher liquid feedstock prices, strong propylene and butadiene coproduct prices at various points in the year also brought liquids into our feedslate.

The following table sets forth selected financial information for the O&P–Americas segment including Share of profit of associates and joint ventures, which is a component of EBITDA.

| | Year Ended 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Sales and other operating revenues | $ 10,400 | $ 9,077 |
| Share of profit of associates and joint ventures | 42 | 59 |
| EBITDA | 2,982 | 2,877 |

**Revenues**—Revenues increased by $1,323 million in 2017 compared to 2016.

Average sales prices for most products increased in 2017, consistent with feedstock prices that are correlated with crude oil and natural gas prices, which on average increased relative to 2016. These higher sales prices were responsible for a 14% increase in 2017 revenues.

Operating rates and product volumes improved in 2017 due to turnaround activities and the expansion at our Corpus Christi, Texas facility during 2016. These increased volumes were responsible for a revenue increase of 1% in 2017.

**EBITDA—**EBITDA increased by $105 million in 2017 compared to 2016.

Increased volumes in 2017 largely due to the expansion of our Corpus Christi, Texas olefins facility was responsible for a 5% improvement in EBITDA. Margins were relatively unchanged in 2017 compared to 2016 due to an approximate 5 cent per pound decrease in polypropylene spreads that offset per pound increases in olefins and polyethylene spreads of a half cent and 2 cents, respectively. Polypropylene margins declined from the high levels in 2016 on the higher cost of propylene feedstocks, while the increase in olefins and polyethylene margins was attributable to higher average sales prices that more than offset the increased cost of ethylene. Lower income from our joint venture relative to the prior year led to a 1% decline in EBITDA. The net impact to EBITDA of the gain on sale of our wholly owned Argentine subsidiary in the first quarter of 2016 and the fourth quarter LCM inventory valuation adjustment mentioned above was offset by the first quarter 2017 gain on sale of our Lake Charles, Louisiana site.

***Olefins and Polyolefins—Europe, Asia, International 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 and as such management assesses the performance of the segment based on ethylene sales volumes and prices and our internal cost of ethylene production.

EBITDA increased in 2017 compared to 2016. This improvement was driven by higher olefins margins and the impact of higher volumes across most products, partly offset by lower polyethylene margins and lower income from our equity investments.

EBITDA for 2017 also includes a $108 million gain on the sale of our 27% interest in Geosel and the $21 million beneficial impact related to the elimination of an obligation associated with a lease. In 2016, EBITDA reflected gains totaling $11 million from the sales of our joint venture in Japan and idled assets in Australia and a $21 million gain from the sale of our wholly owned Argentine subsidiary.

*Ethylene Raw Materials*—In Europe, heavy liquids are the primary raw materials for our ethylene production. In recent years, we have sourced increased amounts of advantaged NGLs when the opportunity has arisen. In 2017, we benefited less from advantaged feedstocks than in recent years as prices for NGLs increased relative to oil-based naphtha feedstock prices.

The following table sets forth selected financial information for the O&P–EAI segment including Share of profit of associates and joint ventures, which is a component of EBITDA.

| | Year Ended 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Sales and other operating revenues | $ 12,263 | $ 10,579 |
| Share of profit of associates and joint ventures | 271 | 302 |
| EBITDA | 2,282 | 2,067 |

**Revenues**—Revenues in 2017 increased by $1,684 million compared to 2016.

Average sales prices in 2017 were higher across most products as sales prices generally correlate with crude oil prices, which on average, increased compared to 2016. These higher average sales prices were responsible for a revenue increase of 11% in 2017. Better product availability compared to 2016, which was affected by turnaround activity and inventory requirements, led to higher sales volumes across most products. These increased volumes resulted in a revenue increase of 3% in 2017.

Foreign exchange impacts that, on average, were favorable for 2017 resulted in a revenue increase of 2% compared to the prior year.

**EBITDA**—EBITDA increased by $215 million in 2017 compared to 2016.

An increase in olefin margins driven largely by a 5 cents per pound increase in ethylene sales prices was partly offset in 2017 by a 3 cents per pound decrease in European polyethylene spreads due to a more balanced European market compared to the prior year. This net increase resulted in a 1% improvement in 2017 EBITDA compared to 2016. The higher 2017 volumes discussed above added another 5% to EBITDA. Favorable foreign exchange impacts in 2017 also contributed an additional 1% to EBITDA. The net beneficial impact of the transactions in 2016 and 2017 discussed above related to the sales of our wholly owned subsidiary, joint venture interests and idled assets, and the elimination of a lease-related obligation, resulted in an additional 5% increase in EBITDA. These increases were partially offset by a 2% decrease in EBITDA driven by a reduction in income from equity investments in Poland and Asia in 2017 relative to very strong 2016 results.

***Intermediates and Derivatives Segment***

**Overview**—Improvements in 2017 EBITDA for intermediate chemicals and PO & derivatives were partly offset by lower results for oxyfuels and related products. EBITDA in 2017 also included the approximate $50 million unfavorable impact of charges related to precious metals catalyst financings relative to 2016.

EBITDA was higher for our I&D segment in 2017 relative to 2016 due to stronger margins for intermediate chemicals products supported by reduced market supply stemming from industry outages and increased demand in Asia.

The following table sets forth selected financial information for the I&D segment including Share of profit of associates and joint ventures, which is a component of EBITDA.

| | Year Ended 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Sales and other operating revenues | $ 8,472 | $ 7,226 |
| Share of profit of associates and joint ventures | 8 | 6 |
| EBITDA | 1,490 | 1,333 |

**Revenues**—Revenues for 2017 increased by $1,246 million compared to 2016.

Higher average sales prices in 2017 for most products, which reflect the impacts of higher feedstock and energy costs and industry supply constraints, were responsible for revenue increases of 17%. Favorable foreign exchange impacts also led to a 1% revenue increase in 2017. These increases were partially offset by a revenue decrease of 1% in 2017, primarily due to lower sales volumes for intermediate chemicals and oxyfuels and related products. This volume-driven decline was largely due to reduced production associated with two major turnarounds at our Botlek, Netherlands, and Channelview, Texas, facilities.

**EBITDA**—EBITDA increased by $157 million in 2017 compared to 2016.

Higher intermediate chemicals and PO and derivative product margins driven by higher average sales prices resulted in a 19% increase in EBITDA. This increase was offset in part by a 2% decline in margins for oxyfuels and related products primarily due to higher butane pricing. This margin improvement was partly offset by decreases in EBITDA of 4% and 1%, respectively, stemming from the unfavorable impacts associated with charges related to precious metals and the lower volumes discussed above.

***Refining Segment***

**Overview**—EBITDA for our Refining segment benefited from higher crude processing rates in 2017 as the impacts of planned and unplanned maintenance outages were less than in 2016. Higher industry margins were offset by higher maintenance-related fixed costs in 2017.

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

| | Year Ended 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Sales and other operating revenues | $ 6,848 | $ 5,135 |
| EBITDA | 157 | 72 |
| | | |
| Heavy crude processing rates (thousands of barrels per day) | 236 | 201 |
| | | |
| **Market margins, dollars per barrel** | | |
| Light crude oil—2-1-1 | $ 13.54 | $ 10.73 |
| Light crude oil—Maya differential | 7.02 | 8.51 |
| Total Maya 2-1-1 | $ 20.56 | $ 19.24 |

**Revenues**—Revenues increased by $1,713 million in 2017 compared to 2016.

Higher product prices in 2017 largely driven by an increase in average crude oil prices of approximately $10 per barrel led to a revenue increase of 26% relative to 2016. Heavy crude oil processing rates increased by 17% in 2017, leading to a volume driven revenue increase of 7%, as the impacts of planned and unplanned outages and the effects of Hurricane Harvey in 2017 had less of an impact on processing rates than the unplanned outages in 2016. In 2017, we completed planned turnarounds on one of our crude units and our fluid catalytic converter.

**EBITDA**—EBITDA increased by $85 million in 2017 compared to 2016.

Increased production accounted for approximately 90% of the improvement in 2017 EBITDA. Crude oil processing rates in 2017 were higher than 2016 as discussed above. Higher refining margins, which were partly offset by higher maintenance-related fixed costs, accounted for the remaining 10% improvement in 2017 EBITDA.

***Technology Segment***

**Overview**—The Technology segment recognizes revenues related to the sale of polyolefin catalysts and the licensing of chemical and polyolefin process technologies. These revenues are offset in part by the costs incurred in the production of catalysts, licensing and services activities and research and development ("R&D") activities. In 2017 and 2016, our Technology segment incurred approximately 55% of all R&D costs.

A decline in 2017 EBITDA reflects lower licensing revenues, partially offset by higher catalyst sales volumes, compared to 2016.

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

| | Year Ended 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Sales and other operating revenues | $ 450 | $ 479 |
| EBITDA | 223 | 262 |

**Revenues**—Revenues decreased by $29 million in 2017 compared to 2016.

Lower licensing revenues were responsible for a revenue decrease of 12% in 2017 relative to 2016. This decrease was partially offset by  revenue increases of 3% and 1%, respectively, related to increased catalyst sales volumes and higher average sales prices. Favorable foreign exchange impacts were responsible for an additional 2% increase in EBITDA.

**EBITDA**—EBITDA in 2017 decreased by $39 million compared to 2016.

Lower licensing and services revenues in 2017 were largely responsible for a 20% decrease in 2017 EBITDA. This decline was partly offset by a 5% improvement in EBITDA resulting from an increase in catalyst volumes during 2017.

### 2.1.2 Financial Condition

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

| | Year Ended 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Sources (uses) of cash: | | |
| Operating activities | $ 4,977 | $ 5,234 |
| Investing activities | (1,544) | (1,925) |
| Financing activities | (2,859) | (3,349) |

**Operating Activities**—Cash of $4,977 million generated in 2017 primarily reflected profit for the year, adjusted for non-cash items, and $916 million of cash generated by the main components of working capital – accounts receivable, inventories and accounts payable. Higher sales prices across all of our segments in the fourth quarter of 2017 and brief delays in the receipt of payments for products in our Refining and I&D segments led to the increase in accounts receivable. Inventories increased for most products in our O&P–EAI and O&P–Americas segments and included an inventory build in our O&P–Americas segment in anticipation of first quarter 2018 turnaround activities These increases were partly offset by an increase in feedstock pricing in the fourth quarter of 2017 in our O&P–Americas, O&P–EAI and Refining segments which led to an increase in accounts payable.

The $5,234 million of cash generated by operations in 2016 primarily reflected profit for the year, adjusted for non-cash items, and cash generated by the main components of working capital – accounts receivable, inventories and accounts payable. The non-cash items in 2016 included an $82 million gain related to the sale of our wholly owned Argentine subsidiary with adjustments for related working capital and gains totaling $11 million related to sales of our joint venture in Japan and idled assets in Australia.

The main components of working capital used  $333 million of cash in 2016. Higher product sales prices in the fourth quarter of 2016 across all segments combined with the impact of higher fourth quarter 2016 sales volumes in our O&P–Americas, Refining and I&D segments led to an increase in accounts receivable. This increase in accounts receivable was offset by higher accounts payable, which was driven by the higher cost of crude oil and other feedstocks.

**Investing Activities—**We invested cash of $1,544 million in 2017 and $1,925 million in 2016.

We invest 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 2017 and 2016, we invested $653 million, and $764 million, respectively, in securities that are classified as Short-term investments. The majority of these investments are deemed available-for-sale; however beginning in the third quarter of 2016, we invested in additional securities deemed held-to-maturity. We also invested $512 million and $674 million in tri-party repurchase agreements in 2017 and 2016, respectively. These investments are classified as short-term loans receivable. We received proceeds upon the sale and maturity of certain of our available-for-sale securities and repurchase agreements of $574 million and $381 million, respectively, in 2017; and $674 million and $685 million, respectively, in 2016. See Note 4 to the Consolidated Financial Statements for additional information regarding these investments.

*Joint Venture Activity*—In September 2017, we sold our 27% interest in our Geosel joint venture and received proceeds of $155 million.

In April 2017, we increased our interest in the entity that holds our equity interest in Al Waha Petrochemicals Ltd. from 83.79% to 100% by paying $21 million to exercise a call option to purchase the remaining 16.21% interest held by a third party.

In September 2016, we purchased a net additional interest in our joint venture in Korea for $36 million. In February 2016, we received proceeds of $72 million for the sale of our joint venture in Japan.

We also received dividends from our investments in associates and joint ventures of $212 million in 2017 and $385 million in 2016.

*Financial Instruments Activity*—Upon expiration in 2017 and 2016, we settled foreign currency contracts with a notional value of €550 million and €1,200 million, respectively, which were designated as net investment hedges of our investments in foreign subsidiaries. Payments to and proceeds from our counterparties resulted in a net cash outflows of $49 million and $61 million during 2017 and 2016, respectively. See 4 to the Consolidated Financial Statements for additional information regarding these foreign currency contracts.

*Sale of Wholly Owned Subsidiary*—In February 2016, we received net cash proceeds of $137 million for the sale of our wholly owned Argentine subsidiary.

The following table summarizes our capital expenditures for 2017 and 2016:

| | Year Ended 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| **Capital expenditures by segment:** | | |
| O&P–Americas | $ 753 | $ 1,376 |
| O&P–EAI | 206 | 261 |
| I&D | 332 | 333 |
| Refining | 213 | 224 |
| Technology | 32 | 36 |
| Other | 11 | 13 |
| | $ 1,547 | $ 2,243 |

In 2018, we expect to spend approximately $2.4 billion, which includes contributions to our PO joint ventures. The higher level of expected capital expenditures in 2018 versus 2017 is largely driven by construction related to our new Hyperzone polyethylene plant at our La Porte, Texas facility and construction related to our new PO/TBA plant in Texas.

In 2017 and 2016, capital expenditures included construction related to our new Hyperzone polyethylene plant, construction related to our new PO/TBA, debottlenecks of certain assets to enhance production, turnaround activities at several sites as well as other plant improvement projects. The lower level of capital expenditures in 2017 versus 2016 for our O&P–Americas segment is largely due to the completion of the 800 million pound ethylene expansion at our Corpus Christi, Texas facility in the fourth quarter of 2016.

**Financing Activities**—Financing activities used cash of $2,859 million and $3,349 million during 2017 and 2016, respectively.

We made payments totaling $866 million and $2,938 million in 2017 and 2016, respectively, to acquire a portion of our outstanding ordinary shares. We also made dividend payments totaling $1,415 million and $1,395 million to our shareholders in 2017 and 2016, respectively. For additional information related to these share repurchases and dividend payments, see Note 23 to the Consolidated Financial Statements.

Through the issuance and repurchase of commercial paper instruments under our commercial paper program, we made net repayments of $493 million in 2017 and received net proceeds of $177 million in 2016, respectively.

In March 2017, we issued $1,000 million of 3.5% guaranteed notes due 2027 and received net proceeds of $990 million. The proceeds from these notes, together with available cash, were used to repay $1,000 million of our outstanding 5% senior notes due 2019. We paid $65 million in premiums in connection with this prepayment.

In March 2016, we issued €750 million of 1.875% guaranteed notes due 2022 and received a net proceeds of $812 million. For additional information related to our commercial paper program and the issuance and repayment of debt, see Note 25 to the Consolidated Financial Statements.

**Liquidity and Capital Resources**

As of 31 December 2017, we had $2,886 million unrestricted cash and cash equivalents and marketable securities classified as available-for-sale financial assets. We also held $570 million of tri-party repurchase agreements classified as other receivables at 31 December 2017. For additional information related to our purchases of marketable securities, which currently include time deposits, certificates of deposit, commercial paper, bonds and limited partnership investments, and our investments in tri-party repurchase agreements, see the Investing Activities section above and Note 4 to the Consolidated Financial Statements.

At 31 December 2017, we held $557 million of cash in jurisdictions outside the U.S., principally in the United Kingdom. There are currently no material or legal or economic restrictions that would impede our transfers of cash.

We also had total unused availability under our credit facilities of $3,400 million at 31 December 2017, which included the following:

- $2,500 million under our $2,500 million revolving credit facility, which backs our $2,500 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 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 31 December

2017, we had no outstanding commercial paper, no outstanding letters of credit and no outstanding borrowings under the facility; and

- $900 million under our $900 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 31 December 2017.

We had total debt, including current maturities, of $8,707 million at 31 December 2017. We also had $413 million of outstanding letters of credit, bank guarantees and surety bonds issued under uncommitted credit facilities at 31 December 2017.

In accordance with our current interest rate risk management strategy and subject to management's evaluation of market conditions and the availability of favorable interest rates among other factors, we may from time to time enter into interest rate swap agreements to economically convert a portion of our fixed rate debt to variable rate debt or convert a portion of variable rate debt to fixed rate debt.

See Note 25 to the Consolidated Financial Statements for additional information related to our credit facilities and Notes discussed above, including redemption terms.

In May 2017, our shareholders approved a proposal to authorize us to repurchase up to an additional 10%, or approximately 40 million, of our shares outstanding through November 2018 ("May 2017 Share Repurchase Program"). As a result, the authorization of the remaining unpurchased shares under the share repurchase program approved by our shareholders in May 2016 ("May 2016 Share Repurchase Program") was suspended. 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 December 31, 2017, we have purchased approximately 10 million shares under these programs for approximately $845 million. As of February 20, 2018, we had approximately 34 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. For additional information related to our share repurchase programs, see Note 23 to the Consolidated Financial Statements.

We may repay or redeem our debt, including purchases of our outstanding bonds in the open market, using cash and cash equivalents, cash from our short-term investments and tri-party repurchase agreements, cash from operating activities, proceeds from the issuance of debt, proceeds from asset divestitures or a combination thereof. In connection with any repayment or redemption of our debt, we may incur cash and non-cash charges, which could be material in the period in which they are incurred.

In July 2017, we announced our final investment decision to build a world-scale PO/TBA plant in Texas with a capacity of 1 billion pounds of PO and 2.2 billion pounds of TBA. The project is estimated to cost approximately $2.4 billion, with construction estimated to commence in the second half of 2018. We anticipate the project to be completed in the middle of 2021.

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.

As discussed in Note 33 to the Consolidated Financial Statements, subsequent to our 2017 fiscal year end we entered into a definitive agreement to acquire A. Schulman. We plan to use cash-on-hand to fund the acquisition.

We believe that our current liquidity availability and cash from operating activities provide us with sufficient financial resources to meet our anticipated capital requirements and obligations as they come due.

**Contractual and Other Obligations**—The following table summarizes, as of 31 December 2017, our minimum payments for long-term debt, including current maturities, short-term debt, and contractual and other obligations for the next five years and thereafter:

| | | Payments Due By Period | | | | | |
|---|---|---|---|---|---|---|---|
| **Millions of U.S. Dollars** | **Total** | **2018** | **2019** | **2020** | **2021** | **2022** | **Thereafter** |
| Total debt, nominal value | $ 8,880 | $ 92 | $ 1,019 | $ 19 | $ 1,023 | $ 926 | $ 5,801 |
| Interest payment on total debt | 5,566 | 408 | 383 | 358 | 358 | 298 | 3,761 |
| Advances from customers | 105 | 61 | 15 | 6 | 3 | 3 | 17 |
| Other | 2,849 | 2,373 | 51 | 29 | 31 | 13 | 352 |
| Deferred income taxes | 1,691 | 312 | 99 | 100 | 99 | 115 | 966 |
| Purchase obligations: | | | | | | | |
| Take-or-pay contracts | 13,079 | 2,227 | 2,249 | 2,290 | 2,325 | 2,044 | 1,944 |
| Other contracts | 9,803 | 4,561 | 2,026 | 1,047 | 618 | 293 | 1,258 |
| Operating leases | 1,445 | 311 | 232 | 194 | 165 | 26 | 517 |
| Total | $ 43,418 | $ 10,345 | $ 6,074 | $ 4,043 | $ 4,622 | $ 3,718 | $ 14,616 |

*Total Debt*—Our debt includes unsecured senior notes, guaranteed notes and various other U.S. and non-U.S. loans. See Note 25 of the Consolidated Financial Statements for a discussion of covenant requirements under the credit facilities and indentures and additional information regarding our debt facilities.

*Interest on Total Debt*—Our debt and related party debt agreements contain provisions for the payment of monthly, quarterly or semi-annual interest at a stated rate of interest over the term of the debt.

*Pension and Other Postretirement Benefits*—We maintain several defined benefit pension plans, as described in Note 27 to the Consolidated Financial Statements. Many of our U.S. and non-U.S. plans are subject to minimum funding requirements; however, the amounts of required future contributions for all our plans are not fixed and can vary significantly due to changes in economic assumptions, liability experience and investment return on plan assets. As a result, we have excluded pension and other postretirement benefit obligations from the Contractual and Other Obligations table above. Our annual contributions may include amounts in excess of minimum required funding levels. Contributions to our non-U.S. plans in years beyond 2018 are not expected to be materially different than the expected 2018 contributions disclosed in Note 27 to the Consolidated Financial Statements. At 31 December 2017, the projected benefit obligation for our pension plans exceeded the fair value of plan assets by $962 million. Subject to future actuarial gains and losses, as well as actual asset earnings, we, together with our consolidated subsidiaries, will be required to fund the $962 million, with interest, in future years. We contributed $103 million and $114 million to our pension plans in 2017 and 2016, respectively. We provide other postretirement benefits, primarily medical benefits to eligible participants, as described in Note 27 to the Consolidated Financial Statements. We pay other unfunded postretirement benefits as incurred.

*Advances from Customers*—We are obligated to deliver products in connection with long-term sales agreements under which advances from customers were received in prior years. These advances are treated as deferred revenue and will be amortized to earnings as product is delivered over the remaining terms of the respective contracts, which range predominantly from 1 to 15 years. The unamortized long-term portion of such advances totaled $44 million as of 31 December 2017.

*Other*—Other primarily consists of accruals for environmental remediation costs, obligations under deferred compensation arrangements, and anticipated asset retirement obligations.

*Deferred Income Taxes*—The scheduled settlement of the deferred tax liabilities shown in the table is based on the scheduled reversal of the underlying temporary differences. Actual cash tax payments will vary depending upon future taxable income. See Note 26 to the Consolidated Financial Statements for additional information related to our deferred tax liabilities.

*Purchase Obligations*—We are party to various obligations to purchase products and services, principally for raw materials, utilities and industrial gases. These commitments are designed to assure sources of supply and are not expected to be in excess of normal requirements. The commitments are segregated into take-or-pay contracts and other contracts. Under the take-or-pay contracts, we are obligated to make minimum payments whether or not we take the product or service. Other contracts include contracts that specify minimum quantities; however, in the event that we do not take the contractual minimum, we are only obligated for any resulting economic loss suffered by the vendor. The payments shown for the other contracts assume that minimum quantities are purchased. For contracts with variable pricing terms, the minimum payments reflect the contract price at 31 December 2017.

*Operating Leases*—We lease various facilities and equipment under non-cancelable lease arrangements for various periods. See Note 30 to the Consolidated Financial Statements for related lease disclosures.

### 2.1.3 Outlook

Over the past several months, strong global demand and delays in capacity additions across our industry have improved both the business results in 2017 and the outlook for 2018 in many of our businesses. Both of our O&P segments and the methanol and styrene businesses within our I&D segment benefited from tight industry supply/demand balances during all or at least part of 2017. These favorable conditions generally remain as we begin 2018. Our 2018 operation plans reflect typical planned maintenance, with turnarounds at 2 olefins plants (US and EU), a US POTBA plant, and for a crude processing unit at the Refinery. These outages are not expected to constraint production relative to 2017 levels.

**O&P Americas**: Delays of US Gulf Coast capacity additions for ethylene and polyethylene have continued in early 2018, but are expected to provide downward margin pressure for polyethylene and ethylene as the year progresses. Continuation of current healthy demand and of the upward trend in oil prices would help mitigate such declines. Polypropylene fundamentals remain good in 2018, although propylene feedstock cost swings may result in increased margin volatility.

**O&P EAI**: After record earnings in 2017, business conditions for most of our O&P EAI businesses are less robust in early 2018, but are still strong from a historical perspective. Olefins margins came off mid-2017 highs in the fourth quarter as product prices lagged increasing oil-based feedstock costs, but this trend seem to have stabilized. Supplies of ethylene and propylene remain relatively tight, supporting price recovery. Polyolefin margins are steady but are starting the year below 2017 average levels. Demand remains good, but the impact of higher oil price and FX rates on the EU global competitive position will provide a challenge in 2018.

**I&D**: Earnings improved in 2017 in all the I&D businesses except for Oxyfuels, where margins fell slightly due to higher butane and methanol feedstock costs. Some recovery of oxyfuels is expected in 2018, supported by higher oil prices and lower relative butane costs, and the early market trends support that view. In early 2018, methanol and styrene markets continue to see the supply constraints than provided strong 2017 results, driven by delays in new capacity and industry outages. This is likely to moderate somewhat as the year progresses. Healthy demand driven by economic growth continues to support conditions in the propylene oxide chain.

**Refining and Technology**: We expect 2018 improvement in Refining performance driven mostly by a continuation of the improved reliability demonstrated over the last half of 2017, supported by modest improvement in industry margins. 2018 planned maintenance activity is significantly lower than in 2017. The Technology business is also expected to show improved 2018 earnings, with continued strong market conditions for catalysts and a significant step up in Licensing earnings as several major projects executed in 2017 will be realized in 2018 income.

Significant financial and strategic progress in recent years has positioned us well to capture market opportunities and weather the impacts of global economic and industry cycles. Our recent investments and capital structure initiatives have added to our financial strength and will help us grow and continue to capture global market opportunities in any business environment. We are well-positioned to maintain a steady and competitive dividend policy and provide additional shareholder returns. In 2017, we increased the interim quarterly dividend by 6% to 90 cents per share and repurchased 10 million shares of our common stock.

We look forward to realizing the benefits of strong operating rates across our broad portfolio of assets and continuing the improvement in the reliability and profitability for the Houston refinery. Over the coming years, we will advance our growth by increasing the pace of organic business investments while diligently pursuing value-adding inorganic opportunities.

## 2.2 Risk Factors

The factors described below represent the principal risks to an investment in LyondellBasell. Any of these factors, taken alone or in combination, could adversely affect our business, operating results and financial condition, as well as the value of an investment in our securities and our ability to execute our strategy.

***Our business, including our results of operations and reputation, could be adversely affected by safety or product liability issues.***

Failure to appropriately manage safety, human health, product liability and environmental risks associated with our products, product life cycles and production processes could adversely impact employees, communities, stakeholders, our reputation and our results of operations. Public perception of the risks associated with our products and production processes could impact product acceptance and influence the regulatory environment in which we operate. While we have procedures and controls to manage safety risks, issues could be created by events outside of our control, including natural disasters, severe weather events and acts of sabotage.

***Our operations are subject to risks inherent in chemical and refining businesses, and we could be subject to liabilities for which we are not fully insured or that are not otherwise mitigated.***

We maintain property, business interruption, product, general liability, casualty and other types of insurance that we believe are appropriate for our business and operations as well as in line with industry practices. However, we are not fully insured against all potential hazards incident to our business, including losses resulting from natural disasters, wars or terrorist acts. Changes in insurance market conditions have caused, and may in the future cause, premiums and deductibles for certain insurance policies to increase substantially and, in some instances, for certain insurance to become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, we might not be able to finance the amount of the uninsured liability on terms acceptable to us or at all, and might be obligated to divert a significant portion of our cash flow from normal business operations.

Further, because a part of our business involves licensing polyolefin process technology, our licensees are exposed to similar risks involved in the manufacture and marketing of polyolefins. Hazardous incidents involving our licensees, if they do result or are perceived to result from use of our technologies, may harm our reputation, threaten our relationships with other licensees and/or lead to customer attrition and financial losses. Our policy of covering these risks through contractual limitations of liability and indemnities and through insurance may not always be effective. As a result, our financial condition and results of operation would be adversely affected, and other companies with competing technologies may have the opportunity to secure a competitive advantage.

***A sustained decrease in the price of crude oil may adversely impact the results of our operations, primarily in North America.***

Energy costs generally follow price trends of crude oil and natural gas. These price trends may be highly volatile and cyclical. In the past, raw material and energy costs have experienced significant fluctuations that adversely affected our business segments' results of operations. For example, we have benefitted from the favorable ratio of U.S. crude oil prices to natural gas prices in recent years. This advantage was reduced as oil prices declined beginning in 2014. If the price of crude oil remains lower relative to U.S. natural gas prices or if the demand for natural gas and NGLs increases, this may have a negative impact on our results of operations.

***Costs and limitations on supply of raw materials and energy may result in increased operating expenses.***

The costs of raw materials and energy represent a substantial portion of our operating expenses. Due to the significant competition we face and the commodity nature of many of our products we are not always able to pass on raw material and energy cost increases to our customers. When we do have the ability to pass on the cost increases, we are not always able to do so quickly enough to avoid adverse impacts on our results of operations.

Cost increases for raw materials also may increase working capital needs, which could reduce our liquidity and cash flow. Even if we increase our sales prices to reflect rising raw material and energy costs, demand for products may decrease as customers reduce their consumption or use substitute products, which may have an adverse impact on our results of operations. In addition, producers in natural gas cost-advantaged regions, such as the Middle East and North America, benefit from the lower prices of natural gas and NGLs. Competition from producers in these regions may cause us to reduce exports from Europe and elsewhere. Any such reductions may increase competition for product sales within Europe and other markets, which can result in lower margins in those regions.

For some of our raw materials and utilities there are a limited number of suppliers and, in some cases, the supplies are specific to the particular geographic region in which a facility is located. It is also common in the chemical and refining industries for a facility to have a sole, dedicated source for its utilities, such as steam, electricity and gas. Having a sole or limited number of suppliers may limit our negotiating power, particularly in the case of rising raw material costs. Any new supply agreements we enter into may not have terms as favorable as those contained in our current supply agreements.

Additionally, there is growing concern over the reliability of water sources, including around the Texas Gulf Coast where several of our facilities are located. The decreased availability or less favorable pricing for water as a result of population growth, drought or regulation could negatively impact our operations.

If our raw material or utility supplies were disrupted, our businesses may incur increased costs to procure alternative supplies or incur excessive downtime, which would have a direct negative impact on plant operations. Disruptions of supplies may occur as a result of transportation issues resulting from natural disasters, water levels, and interruptions in marine water routes, among other causes, that can affect the operations of vessels, barges, rails, trucks and pipeline traffic. These risks are particularly prevalent in the U.S. Gulf Coast area. Additionally increasing exports of NGLs and crude oil from the U.S., or greater restrictions on hydraulic fracturing could restrict the availability of our raw materials, thereby increasing our costs.

With increased volatility in raw material costs, our suppliers could impose more onerous terms on us, resulting in shorter payment cycles and increasing our working capital requirements.

***Our ability to source raw materials may be adversely affected by political instability, civil disturbances or other governmental actions.***

We obtain a portion of our principal raw materials from sources in North Africa, the Middle East, Mexico and South America that may be less politically stable than other areas in which we conduct business, such as Europe or the U.S. Political instability, civil disturbances and actions by governments in these areas are more likely to substantially increase the price and decrease the supply of raw materials necessary for our operations, which will have a material adverse effect on our results of operations.

Increased incidents of civil unrest, including terrorist attacks and demonstrations that have been marked by violence, have occurred in a number of countries in North Africa and the Middle East. Some political regimes in these countries are threatened or have changed as a result of such unrest. Political instability and civil unrest could continue to spread in the region and involve other areas. Such unrest, if it continues to spread or grow in intensity, could lead to civil wars, regional conflicts or regime changes resulting in governments that are hostile to countries in which we conduct substantial business, such as in Europe, the U.S., or their respective trading partners.

***Economic disruptions and downturns in general, and particularly continued global economic uncertainty or economic turmoil in emerging markets, could have a material adverse effect on our business, prospects, operating results, financial condition and cash flows.***

Our results of operations can be materially affected by adverse conditions in the financial markets and depressed economic conditions generally. Economic downturns in the businesses and geographic areas in which we sell our products substantially reduce demand for our products and result in decreased sales volumes and increased credit risk. Recessionary environments adversely affect our business because demand for our products is reduced, particularly from our customers in industrial markets generally and the automotive and housing industries specifically, and may result in higher costs of capital. A significant portion of our revenues and earnings are derived from our business in Europe, including southern Europe. In addition, most of our European transactions and assets, including cash reserves and receivables, are denominated in euros.

If a sustained financial crisis in Europe leads to a significant devaluation of the euro, the value of our financial assets that are denominated in euros would be significantly reduced when translated to U.S. dollars for financial reporting purposes. We also derive significant revenues from our business in emerging markets, particularly the emerging markets in Asia and South America. Any broad-based downturn in these emerging markets, or in a key market such as China, could require us to reduce export volumes into these markets and could also require us to divert product sales to less profitable markets. Any of these conditions could ultimately harm our overall business, prospects, operating results, financial condition and cash flows.

***The cyclicality and volatility of the industries in which we participate may cause significant fluctuations in our operating results.***

Our business operations are subject to the cyclical and volatile nature of the supply-demand balance in the chemical and refining industries. Our future operating results are expected to continue to be affected by this cyclicality and volatility. The chemical and refining industries historically have experienced alternating periods of capacity shortages, causing prices and profit margins to increase, followed by periods of excess capacity, resulting in oversupply, declining capacity utilization rates and declining prices and profit margins.

In addition to changes in the supply and demand for products, changes in energy prices and other worldwide economic conditions can cause volatility. These factors result in significant fluctuations in profits and cash flow from period to period and over business cycles.

New capacity additions in Asia, the Middle East and North America may lead to periods of oversupply and lower profitability. A sizable number of expansions have been announced in North America. The timing and extent of any changes to currently prevailing market conditions are uncertain and supply and demand may be unbalanced at any time. As a consequence, we are unable to accurately predict the extent or duration of future industry cycles or their effect on our business, financial condition or results of operations.

***We sell products in highly competitive global markets and face significant price pressures.***

We sell our products in highly competitive global markets. Due to the commodity nature of many of our products, competition in these markets is based primarily on price and, to a lesser extent, on product performance, product quality, product deliverability, reliability of supply and customer service. Often, we are not able to protect our market position for these products by product differentiation and may not be able to pass on cost increases to our customers due to the significant competition in our business.

In addition, we face increased competition from companies that may have greater financial resources and different cost structures or strategic goals than us. These include large integrated oil companies (some of which also have chemical businesses), government-owned businesses, and companies that receive subsidies or other government incentives to produce certain products in a specified geographic region. Continuing competition from these companies, especially in our olefin and refining businesses, could limit our ability to increase product sales prices in response to raw material and other cost increases, or could cause us to reduce product sales prices to compete effectively, which would reduce our profitability. Competitors with different cost structures or strategic goals than we have may be able to invest significant capital into their businesses, including expenditures for research and development.

In addition, specialty products we produce may become commoditized over time. Increased competition could result in lower prices or lower sales volumes, which would have a negative impact on our results of operations.

***Interruptions of operations at our facilities may result in liabilities or lower operating results.***

We own and operate large-scale facilities. Our operating results are dependent on the continued operation of our various production facilities and the ability to complete construction and maintenance projects on schedule. Interruptions at our facilities may materially reduce the productivity and profitability of a particular manufacturing facility, or our business as a whole, during and after the period of such operational difficulties. In the past, we had to shut down plants on the U.S. Gulf Coast, including the temporary shutdown of our Houston refinery, as a result of hurricanes striking the Texas coast.

In addition, because the Houston refinery is our only refining operation, an outage at the refinery could have a particularly negative impact on our operating results. Unlike our chemical and polymer production facilities, which may have sufficient excess capacity to mitigate the negative impact of lost production at other facilities, we do not have the ability to increase refining production elsewhere in the U.S.

Although we take precautions to enhance the safety of our operations and minimize the risk of disruptions, our operations are subject to hazards inherent in chemical manufacturing and refining and the related storage and transportation of raw materials, products and wastes. These potential hazards include:

- pipeline leaks and ruptures;
- explosions;
- fires;
- severe weather and natural disasters;
- mechanical failure;
- unscheduled downtimes;
- supplier disruptions;
- labor shortages or other labor difficulties;
- transportation interruptions;
- remediation complications;
- increased restrictions on, or the unavailability of, water for use at our manufacturing sites or for the transport of our products or raw materials;
- chemical and oil spills;
- discharges or releases of toxic or hazardous substances or gases;
- shipment of incorrect or off-specification product to customers;
- storage tank leaks;
- other environmental risks; and
- terrorist acts.

Some of these hazards may cause severe damage to or destruction of property and equipment or personal injury and loss of life and may result in suspension of operations or the shutdown of affected facilities.

***Large capital projects can take many years to complete, and market conditions could deteriorate significantly between the project approval date and the project startup date, negatively impacting project returns. If we are unable to complete capital projects at their expected costs and in a timely manner, or if the market conditions assumed in our project economics deteriorate, our business, financial condition, results of operations and cash flows could be materially and adversely affected.***

Delays or cost increases related to capital spending programs involving engineering, procurement and construction of facilities could materially adversely affect our ability to achieve forecasted internal rates of return and operating results. Delays in making required changes or upgrades to our facilities could subject us to fines or penalties as well as affect our ability to supply certain products we produce. Such delays or cost increases may arise as a result of unpredictable factors, many of which are beyond our control, including:

- denial of or delay in receiving requisite regulatory approvals and/or permits;
- unplanned increases in the cost of construction materials or labor;
- disruptions in transportation of components or construction materials;
- adverse weather conditions, natural disasters or other events (such as equipment malfunctions, explosions, fires or spills) affecting our facilities, or those of vendors or suppliers;
- shortages of sufficiently skilled labor, or labor disagreements resulting in unplanned work stoppages; and
- nonperformance by, or disputes with, vendors, suppliers, contractors or subcontractors.

Any one or more of these factors could have a significant impact on our ongoing capital projects. If we were unable to make up the delays associated with such factors or to recover the related costs, or if market conditions change, it could materially and adversely affect our business, financial condition, results of operations and cash flows.

***Increased IT security threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks, products, facilities and services.***

Increased global information security threats and more sophisticated, targeted computer crime pose a risk to the confidentiality, availability and integrity of our data, operations and infrastructure. While we attempt to mitigate these risks by employing a number of measures, including security measures, employee training, comprehensive monitoring of our networks and systems, and maintenance of backup and protective systems, our employees, systems, networks, products, facilities and services remain potentially vulnerable to sophisticated espionage or cyber-assault. Depending on their nature and scope, such threats could potentially lead to the compromise of confidential information, improper use of our systems and networks, manipulation and destruction of data, defective products, production downtimes and operational disruptions, which in turn could adversely affect our reputation, competitiveness and results of operations.

***We operate internationally and are subject to exchange rate fluctuations, exchange controls, political risks and other risks relating to international operations.***

We operate internationally and are subject to the risks of doing business on a global level. These risks include fluctuations in currency exchange rates, economic instability and disruptions, restrictions on the transfer of funds and the imposition of duties and tariffs. Additional risks from our multinational business include transportation delays and interruptions, war, terrorist activities, epidemics, pandemics, political instability, import and export controls, changes in governmental policies, labor unrest and current and changing regulatory environments.

We generate revenues from export sales and operations that may be denominated in currencies other than the relevant functional currency. Exchange rates between these currencies and functional currencies in recent years have fluctuated significantly and may do so in the future. It is possible that fluctuations in exchange rates will result in reduced operating results. Additionally, we operate with the objective of having our worldwide cash available in the locations where it is needed, including the United Kingdom for our parent company's significant cash obligations as a result of dividend and interest payments. It is possible that we may not always be able to provide cash to other jurisdictions when needed or that such transfers of cash could be subject to additional taxes, including withholding taxes.

Our operating results could be negatively affected by the global laws, rules and regulations, as well as political environments, in the jurisdictions in which we operate. There could be reduced demand for our products, decreases in the prices at which we can sell our products and disruptions of production or other operations. Additionally, there may be substantial capital and other costs to comply with regulations and/or increased security costs or insurance premiums, any of which could reduce our operating results.

We obtain a portion of our principal raw materials from international sources that are subject to these same risks. Our compliance with applicable customs, currency exchange control regulations, transfer pricing regulations or any other laws or regulations to which we may be subject could be challenged. Furthermore, these laws may be modified, the result of which may be to prevent or limit subsidiaries from transferring cash to us.

Furthermore, we are subject to certain existing, and may be subject to possible future, laws that limit or may limit our activities while some of our competitors may not be subject to such laws, which may adversely affect our competitiveness.

***Changes in tax laws and regulations could affect our tax rate and our results of operations.***

We are a tax resident in the United Kingdom and are subject to the United Kingdom corporate income tax system. LyondellBasell Industries N.V. has little or no taxable income of its own because, as a holding company, it does not conduct any operations. Through our subsidiaries, we have substantial operations world-wide. Taxes are primarily paid on the earnings generated in various jurisdictions, including the United States, The Netherlands, Germany, France, and Italy.

A portion of our interest income from internal financing is either untaxed or taxed at rates substantially lower than the U.S. statutory rate. In September 2016, the United Kingdom enacted the so called "anti-hybrid provisions", effective for years beginning January 1, 2017, that resulted in changes to our internal financing structure which did not materially impact our Consolidated Financial Statements. In addition, in October 2016 the U.S. Treasury issued final Section 385 debt-equity regulations that could impact our internal financings in future years. Pursuant to a recent Executive Order, the Treasury Department reviewed these regulations and determined to delay but retain these regulations, subject to further review after the enactment of U.S. tax reform. In December 2017, the U.S. enacted "H.R.1," also known as the "Tax Cuts and Jobs Act" (the "Tax Act"), materially impacting our 2017 Consolidated Financial Statements and significantly affecting future periods. We are awaiting Treasury's review of the existing Section 385 debt-equity regulations which could impact our internal financings in future years as well as any new regulations pursuant to Treasury's expanded regulatory authority under the Tax Act.

We monitor income tax developments in countries where we conduct business. Recently, there has been an increase in attention, both in the U.S. and globally, to the tax practices of multinational companies, including the European Union's state aid investigations and proposals by the Organization for Economic Cooperation and Development with respect to base erosion and profit shifting. Such attention may result in additional legislative changes that could adversely affect our tax rate. Other than the recently enacted Tax Act, management does not believe that recent changes in income tax laws will have a material impact on our Consolidated Financial Statements, although new or proposed changes to tax laws could affect our tax liabilities in the future.

***Many of our businesses depend on our intellectual property. Our future success will depend in part on our ability to protect our intellectual property rights, and our inability to do so could reduce our ability to maintain our competitiveness and margins.***

We have a significant worldwide patent portfolio of issued and pending patents. These patents and patent applications, together with proprietary technical know-how, are significant to our competitive position, particularly with regard to PO, performance chemicals, petrochemicals and polymers. We rely on the patent, copyright and trade secret laws of the countries in which we operate to protect our investment in research and development, manufacturing and marketing. However, we may be unable to prevent third parties from using our intellectual property without authorization. Proceedings to protect these rights could be costly, and we may not prevail.

The failure of our patents or confidentiality agreements to protect our processes, apparatuses, technology, trade secrets or proprietary know-how could result in significantly lower revenues, reduced profit margins and cash flows and/or loss of market share. We also may be subject to claims that our technology, patents or other intellectual property infringes on a third party's intellectual property rights. Unfavorable resolution of these claims could result in restrictions on our ability to deliver the related service or in a settlement that could be material to us.

***Shared control or lack of control of joint ventures may delay decisions or actions regarding the joint ventures.***

A portion of our operations are conducted through joint ventures, where control may be exercised by or shared with unaffiliated third parties. We cannot control the actions of our joint venture partners, including any nonperformance, default or bankruptcy of joint venture partners. The joint ventures that we do not control may also lack adequate internal controls systems or financial reporting systems to provide adequate and timely information for our reporting purposes.

Our joint venture partners may have different interests or goals than we do and may take actions contrary to our requests, policies or objectives. Differences in views among the joint venture participants also may result in delayed decisions or in failures to agree on major matters, potentially adversely affecting the business and operations of the joint ventures and in turn our business and operations. We may develop a dispute with any of our partners over decisions affecting the venture that may result in litigation, arbitration or some other form of dispute resolution. If a joint venture participant acts contrary to our interest, it could harm our brand, business, results of operations and financial condition.

***We cannot predict with certainty the extent of future costs under environmental, health and safety and other laws and regulations, and cannot guarantee they will not be material.***

We may face liability arising out of the normal course of business, including alleged personal injury or property damage due to exposure to chemicals or other hazardous substances at our current or former facilities or chemicals that we manufacture, handle or own. In addition, because our products are components of a variety of other end-use products, we, along with other members of the chemical industry, are subject to potential claims related to those end-use products. Any substantial increase in the success of these types of claims could negatively affect our operating results.

We (together with the industries in which we operate) are subject to extensive national, regional, state and local environmental laws, regulations, directives, rules and ordinances concerning:

- emissions to the air;
- discharges onto land or surface waters or into groundwater; and
- the generation, handling, storage, transportation, treatment, disposal and remediation of hazardous substances and waste materials.

Many of these laws and regulations provide for substantial fines and potential criminal sanctions for violations. Some of these laws and regulations are subject to varying and conflicting interpretations. In addition, some of these laws and regulations require us to meet specific financial responsibility requirements. Any substantial liability for environmental damage could have a material adverse effect on our financial condition, results of operations and cash flows.

Although we have compliance programs and other processes intended to ensure compliance with all such regulations, we are subject to the risk that our compliance with such regulations could be challenged. Non-compliance with certain of these regulations could result in the incurrence of additional costs, penalties or assessments that could be material.

***Our industry is subject to extensive government regulation, and existing, or future regulations may restrict our operations, increase our costs of operations or require us to make additional capital expenditures.***

Compliance with regulatory requirements could result in higher operating costs, such as regulatory requirements relating to emissions, the security of our facilities, and the transportation, export or registration of our products. We generally expect that regulatory controls worldwide will become increasingly more demanding, but cannot accurately predict future developments.

Increasingly strict environmental laws and inspection and enforcement policies, could affect the handling, manufacture, use, emission or disposal of products, other materials or hazardous and non-hazardous waste. Stricter environmental, safety and health laws, regulations and enforcement policies could result in increased operating costs or capital expenditures to comply with such laws and regulations. Additionally, we are required to have permits for our businesses and are subject to licensing regulations. These permits and licenses are subject to renewal, modification and in some circumstances, revocation. Further, the permits and licenses are often difficult, time consuming and costly to obtain and could contain conditions that limit our operations.

***We may incur substantial costs to comply with climate change legislation and related regulatory initiatives.***

There has been a broad range of proposed or promulgated state, national and international laws focusing on greenhouse gas (“GHG”) reduction. These proposed or promulgated laws apply or could apply in countries where we have interests or may have interests in the future. Laws and regulations in this field continue to evolve and, while they are likely to be increasingly widespread and stringent, at this stage it is not possible to accurately estimate either a timetable for implementation or our future compliance costs relating to implementation. Within the framework of the EU emissions trading scheme (“ETS”), we were allocated certain allowances of carbon dioxide for the affected plants of our European sites for the period from 2008 to 2012 (“ETS II period”). The ETS II period did not bring additional cost to us as the allowance allocation was sufficient to cover the actual emissions of the affected plants. We were able to build an allowance surplus during the ETS II period which has been banked to the scheme for the period from 2013 to 2020 (“ETS III period”). We expect to incur additional costs for the ETS III period, despite the allowance surplus accrued over the ETS II period, as allowance allocations have been reduced for the ETS III period and more of our plants are affected by the scheme. We maintain an active hedging strategy to cover these additional costs. We expect to incur additional costs in relation to future carbon or GHG emission trading schemes.

In the U.S., the Environmental Protection Agency (the "EPA") has promulgated federal GHG regulations under the Clean Air Act affecting certain sources. The EPA has issued mandatory GHG reporting requirements, requirements to obtain GHG permits for certain industrial plants and proposals for GHG performance standards for some facilities. The recent EPA action could be a precursor to further federal regulation of carbon dioxide emissions and other greenhouse gases, and may affect the outcome of other climate change lawsuits pending in U.S. courts in a manner unfavorable to our industry. In any event, additional regulation may be forthcoming at the U.S. federal or state level with respect to GHG emissions, and such regulation could result in the creation of additional costs in the form of taxes or required acquisition or trading of emission allowances.

Compliance with these or other changes in laws, regulations and obligations that create a GHG emissions trading scheme or GHG reduction policies generally could significantly increase our costs or reduce demand for products we produce. Additionally, compliance with these regulations may result in increased permitting necessary for the operation of our business or for any of our growth plans. Difficulties in obtaining such permits could have an adverse effect on our future growth. Therefore, any future potential regulations and legislation could result in increased compliance costs, additional operating restrictions or delays in implementing growth projects or other capital investments, and could have a material adverse effect on our business and results of operations.

***We may be required to record material charges against our earnings due to any number of events that could cause impairments to our assets.***

We may be required to reduce production or idle facilities for extended periods of time or exit certain businesses as a result of the cyclical nature of our industry. Specifically, oversupplies of or lack of demand for particular products or high raw material prices may cause us to reduce production. We may choose to reduce production at certain facilities because we have off-take arrangements at other facilities, which make any reductions or idling unavailable at those facilities. Any decision to permanently close facilities or exit a business likely would result in impairment and other charges to earnings.

Temporary outages at our facilities can last for several quarters and sometimes longer. These outages could cause us to incur significant costs, including the expenses of maintaining and restarting these facilities. In addition, even though we may reduce production at facilities, we may be required to continue to purchase or pay for utilities or raw materials under take-or-pay supply agreements.

***Our business is capital intensive and we rely on cash generated from operations and external financing to fund our growth and ongoing capital needs. Limitations on access to external financing could adversely affect our operating results.***

We require significant capital to operate our current business and fund our growth strategy. Moreover, interest payments, dividends and the expansion of our business or other business opportunities may require significant amounts of capital. We believe that our cash from operations currently will be sufficient to meet these needs. However, if we need external financing, our access to credit markets and pricing of our capital is dependent upon maintaining sufficient credit ratings from credit rating agencies and the state of the capital markets generally. There can be no assurances that we would be able to incur indebtedness on terms we deem acceptable, and it is possible that the cost of any financings could increase significantly, thereby increasing our expenses and decreasing our net income. If we are unable to generate sufficient cash flow or raise adequate external financing, including as a result of significant disruptions in the global credit markets, we could be forced to restrict our operations and growth opportunities, which could adversely affect our operating results.

We may use our five-year, $2.5 billion revolving credit facility, which backs our commercial paper program, to meet our cash needs, to the extent available. As of 31 December 2017, we had no borrowings or letters of credit outstanding under the facility and no borrowings under our commercial paper program, leaving an unused and available credit capacity of $2,500 million. We may also meet our cash needs by selling receivables under our $900 million U.S. accounts receivable securitization facility. In the event of a default under our credit facility or any of our senior notes, we could be required to immediately repay all outstanding borrowings and make cash deposits as collateral for all obligations the facility supports, which we may not be able to do. Any default under any of our credit arrangements could cause a default under many of our other credit agreements and debt instruments. Without waivers from lenders party to those agreements, any such default could have a material adverse effect on our ability to continue to operate.

***Legislation and regulatory initiatives could lead to a decrease in demand for our products.***

New or revised governmental regulations and independent studies relating to the effect of our products on health, safety and the environment may affect demand for our products and the cost of producing our products. Initiatives by governments and private interest groups will potentially require increased toxicological testing and risk assessments of a wide variety of chemicals, including chemicals used or produced by us. For example, in the United States, the National Toxicology Program ("NTP") is a federal interagency program that seeks to identify and select for study chemicals and other substances to evaluate potential human health hazards. In the European Union, the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") is regulation designed to identify the intrinsic properties of chemical substances, assess hazards and risks of the substances, and identify and implement the risk management measures to protect humans and the environment.

Assessments under NTP, REACH or similar programs or regulations in other jurisdictions may result in heightened concerns about the chemicals we use or produce and may result in additional requirements being placed on the production, handling, labeling or use of those chemicals. Such concerns and additional requirements could also increase the cost incurred by our customers to use our chemical products and otherwise limit the use of these products, which could lead to a decrease in demand for these products. Such a decrease in demand could have an adverse impact on our business and results of operations.

***Adverse results of legal proceedings could materially adversely affect us.***

We are subject to and may in the future be subject to a variety of legal proceedings and claims that arise out of the ordinary conduct of our business. Results of legal proceedings cannot be predicted with certainty. Irrespective of its merits, litigation may be both lengthy and disruptive to our operations and may cause significant expenditure and diversion of management attention. We may be faced with significant monetary damages or injunctive relief against us that could have an adverse impact on our business and results of operations should we fail to prevail in certain matters.

***Significant changes in pension fund investment performance or assumptions relating to pension costs may adversely affect the valuation of pension obligations, the funded status of pension plans, and our pension cost.***

Our pension cost is materially affected by the discount rates used to measure pension obligations, the level of plan assets available to fund those obligations at the measurement date and the expected long-term rates of return on plan assets. Significant changes in investment performance or a change in the portfolio mix of invested assets may result in corresponding increases and decreases in the value of plan assets, particularly equity securities, or in a change of the expected rate of return on plan assets. Any changes in key actuarial assumptions, such as the discount rate or mortality rate, would impact the valuation of pension obligations, affecting the reported funded status of our pension plans as well as the net periodic pension cost in the following fiscal years.

Nearly all of our current pension plans have projected benefit obligations that exceed the fair value of the plan assets. As of 31 December 2017, the aggregate deficit was $903 million. Any declines in the fair values of the pension plans' assets could require additional payments by us in order to maintain specified funding levels.

Our pension plans are subject to legislative and regulatory requirements of applicable jurisdictions, which could include, under certain circumstances, local governmental authority to terminate the plan.

***Integration of acquisitions could disrupt our business and harm our financial condition and stock price.***

We may make acquisitions in order to enhance our business. On February 15, 2018, we entered into a definitive agreement to acquire A. Schulman. Acquisitions involve numerous risks, including problems combining the purchased operations, technologies or products, unanticipated costs and liabilities, diversion of management's attention from our core businesses, and potential loss of key employees.

There can be no assurance that we will be able to integrate successfully any businesses, products, technologies, or personnel that we might acquire. The integration of businesses that we may acquire is likely to be a complex, time-consuming, and expensive process and we may not realize the anticipated revenues or other benefits associated with our acquisitions if we do not manage and operate the acquired business up to our expectations. If we are unable to efficiently operate as a combined organization utilizing common information and communication systems, operating procedures, financial controls, and human resources practices, our business, financial condition, and results of operations may be adversely affected.

## 2.3 Our Strategy

LyondellBasell works every day to be the best operated, most respected company in our industry. We strive to consistently outperform the competition by safely and reliably delivering high quality products to customers; being the company of choice for employees and shareholders; and being a responsible, good neighbor in the communities where we operate.

We are progressing this vision based on a foundation of operational excellence, cost discipline, and prudent financial stewardship. In 2017, we have advanced more substantial and proactive growth plans. We intend to extend our reach and apply these foundational strengths across a larger set of assets.

- **Operational excellence of existing assets:** The Company continues to benefit from strong operational reliability and efficiency in our existing asset base, grounded in differential industrial and process safety performance, environmental stewardship, and disciplined investments to maintain and improve these operations. We are now realizing volume improvements from several recent olefins and polyolefin capacity expansions in the US driven by the ongoing feedstock advantage from the growth of shale gas and oil production.

- **Advancing major organic projects with increased capabilities:** Our current project pipeline includes two worldscale plants in the Houston, Texas area that are well underway; our Hyperzone high density polyethylene plant and a PO/TBA plant targeted for 2019 and 2021 startups, respectively. We are also progressing plans for additional olefins debottlenecks at our Channelview site beginning in 2020. Projects under consideration include polypropylene investments in one or more regions and propylene capacity to support that growth.

- **Enhanced abilities to evaluate and execute inorganic growth opportunities:** LyondellBasell's healthy free cash flow and balance sheet provides a strong basis to generate additional value through acquisition. We will focus on where we can extend our strengths and skills to other assets and businesses, both in our current business lines and in areas that overlap, extend, or sit adjacent to our existing petrochemical and polymer footprint. Our pending transaction to partner with Suez in the EU manufacture of premium recycled polyolefins and the announcement to acquire A. Schulman, Inc. are indications of our intent to broaden our footprint.

We understand what drives our core advantages and will continue the benchmarking and continuous improvement that extends these leading positions. Our company has a resilient portfolio of businesses that can leverage geographic, feedstock and market diversity to achieve superior results. Our increasing focus on value generating growth will be guided by advantaged positions and where LyondellBasell's strengths create tangible value.

Our Supervisory Board is responsible for overseeing the overall course of our business and achievement of our strategy. Each year, the Company's management develops both an annual financial operating plan and a multi-year strategic business plan, each of which are subject to the review and approval of the Supervisory Board. Members of the Supervisory Board are updated regularly by our Management Board regarding the Company's progress in achieving its financial and strategic goals.

### 2.4 Sustainability

LyondellBasell is committed to sustainable development. We define sustainability as the responsible and ethical use of resources to improve the everyday quality of life in the world around us. Through our stewardship of natural resources and with a focus on technological advancements, we believe we can help improve the quality of life today and for future generations.

As a significant participant in the global economy, our objectives are to:

- Create value for our investors and customers;
- Protect the well-being of our employees, contractors and the communities in which we operate;
- Manage the safe use of our products;
- Protect the environment and preserve resources for future generations; and
- Supply products that enhance the quality of life worldwide.

We strive to create better environmental and social outcomes in the way we do business. Promoting safe, efficient, and ethical business practices provides better results not only for us, but also for the customers we serve and the communities in which we operate.

Our business approach and drive for innovation are underpinned by key sustainability themes such as resource efficiency, safety, governance, and productive stakeholder dialogue. Whether addressing energy challenges or speaking with our local communities, we work continuously towards sustainable successful outcomes.We are committed to protecting the environment, human health and safety in the communities where we operate. We deliver on this commitment by:

- Producing the basic building blocks for products that enhance consumer safety, quality of life, convenience and energy conservation;
- Minimizing our impact on the environment; and
- Supporting a variety of community service activities.

We are dedicated to safety excellence. In 2017, LyondellBasell continued to operate with industry leading safety performance. The Company's safety performance in 2017, measured by total recordable incident rate[1] for employees and contractors, was 0.21.

Our Operational Excellence philosophy establishes uniform management system requirements for areas that have a direct impact on our operating performance. These management system requirements include programs for mechanical integrity and inspection, management of change, process hazard analysis, risk assessment, incident investigation and reporting, and the maintenance of process safety information. Other elements essential to a successful Operational Excellence program include effective communication and employee training.

Our process safety program is focused on the pro-active identification and management of hazards in our operations. It plays a significant role in our overall safety performance and in fulfilling our commitment to operate in a manner that protects our people, the environment and our business relationship with our customers.

Our Product Stewardship efforts promote the safe and responsible use of our products. We strive to understand the safety, health and environmental issues associated with the manufacture, distribution and use of our products and we share that understanding with our customers and other stakeholders.

We are dedicated to minimizing our emissions and improving our energy efficiency. We are making the investments necessary to accomplish this goal through cost-effective compliance, business-driven improvement and science-based risk management.

### 2.5 Research and Development

Our research and development ("R&D") activities are designed to improve our existing products and processes, and discover and commercialize new materials, catalysts and processes. These activities focus on product and application development, process development, catalyst development and fundamental polyolefin-focused research.

In 2017 and 2016, our research and development expenditures were $90 million and $83 million, respectively. A portion of these expenses are related to technical support and customer service and are allocated to the other business segments. In 2017 and 2016, approximately 45% of all R&D costs were allocated to business segments.

[1] We utilize the U.S. Occupational Safety and Health Administration ("OSHA") definition for injury rate, which is the number of injuries recorded per 200,000 hours worked.

## 3 Report of the Supervisory Board

Our Supervisory Board is responsible for overseeing the Management Board and the overall course of our business and strategy. Members of the Supervisory Board are non-executives and are elected by shareholders. Our Supervisory Board and its committees oversee:

- management's identification, measurement, monitoring, and control of our company's material risks, including operational, credit, market, liquidity, compliance, strategic, and reputational risks;
- the Company's maintenance of high ethical standards and effective policies and practices to protect our reputation, assets, and business;
- management's development and implementation of an annual financial operating plan and a multi-year strategic business plan, and our progress meeting these financial and strategic plans;
- the corporate audit function, our independent registered public accounting firm, and the integrity of our consolidated financial statements; and
- the establishment, maintenance, and administration of appropriately designed compensation programs and plans.

The Supervisory board is also responsible for:

- reviewing, monitoring, and approving succession plans for the Supervisory Board, our CEO and other key executives to promote senior management continuity;
- conducting an annual self-evaluation of the Supervisory Board and its committees;
- identifying and evaluating director candidates and nominating qualified individuals for election to serve on our Supervisory Board; and
- reviewing our CEO's performance and approving the total annual compensation for our CEO and other executive officers.

Our Supervisory Board currently has eleven members. Our Articles of Association provide that the Supervisory Board will consist of at least nine members and the Rules of the Supervisory Board provide that the Supervisory Board, in its sole discretion, shall determine the size of the Supervisory Board in accordance with and in order to comply with our Articles of Association, any nomination agreements and the listing standards of the New York Stock Exchange.

In 2017, the Supervisory Board has decided that all directors should be elected annually. This decision was made after a review of our governance practices and recognition that annual elections give shareholders a greater voice in expressing their views about our Supervisory Directors. The Supervisory Board determined to nominate each of the current Supervisory Directors for terms of one year for elections beginning with the 2017 annual meeting.

The members of the Supervisory Board are elected by the general meeting of shareholders from a list of nominees that is drawn up by the Supervisory Board. Pursuant to our Articles of Association, the list is, in principle, binding. The binding nature of the Supervisory Board's nominations may be overridden by a vote of two-thirds of the votes cast at the meeting if such two-thirds vote constitutes more than one-half of the issued share capital of the Company. In that case, shareholders would be free to cast their votes for persons other than those nominated below.

The table below shows information for each member of our Supervisory Board as of 5 April 2018.

| |
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| Jacques Aigrain, French-Swiss, 63, Supervisory Director since May 2011 |
| Position, Principal Occupation and Business Experience: : Mr. Aigrain was a Partner of Warburg Pincus, a global private equity firm, from 2013 to 2016 and has since continued with Warburg Pincus as a Senior Advisor. Mr. Aigrain has also served as a director of The London Stock Exchange Group plc, a diversified international stock exchange, and of WPP plc, a multinational advertising and public relations company, in each case since 2013. In prior years, he served as a director of Lufthansa German Airlines from 2007 to 2015; as Chairman of LCH Clearnet Group, Limited, a clearinghouse group, from 2010 to 2015; and as a director of Resolution Ltd., a financial services company, from 2010 to 2013. |
| Key Attributes, Experience and Skills: Mr. Aigrain has extensive experience as an executive and board member of several multinational companies, including as the Chief Executive Officer of Swiss Re, a publicly traded reinsurance company. His background provides him with expertise in all areas of strategy, mergers and acquisitions, finance and capital markets. Additionally, he brings with him substantial knowledge of board- and governance-related matters. |
| Lincoln Benet, American-British, 54, Supervisory Director since June 2015 |
| Position, Principal Occupation and Business Experience: Mr. Benet has served as Chief Executive Officer of Access Industries, a privately held industrial group, since 2006. |
| Key Attributes, Experience and Skills: As CEO of an industrial group with world-wide holdings, Mr. Benet has knowledge of all aspects of executive management. Mr. Benet also currently serves, and previously has served, on the boards of several privately held companies, including investment, music and publishing, oil and gas pipes and tubing, telecommunications, management services and petrochemicals industries. He brings with him experience in global markets, mergers and acquisitions, strategic planning and corporate strategy as well as experience with international finance matters, including corporate finance matters such as treasury, insurance and tax. |
| Jagjeet S. Bindra, American, 70, Supervisory Director since May 2011 |
| Position, Principal Occupation and Business Experience:Mr. Bindra serves as a director of HPCL-Mittal Energy Limited, a crude oil refinery operator in India. Previously, Mr. Bindra served as a director of Edison International, a generator and distributor of electric power, and its subsidiary, Southern California Edison Co., an electric utility company, from 2010 to 2017 and as a director of WorleyParsons, a global provider of project delivery and consulting services to the resources and energy sectors and complex process industries, from 2015 to 2017. Mr. Bindra also served as a director of Transocean Ltd., an offshore drilling contractor and the provider of drilling management services, from 2011 to 2014. |
| Key Attributes, Experience and Skills: Mr. Bindra previously led worldwide manufacturing operations as a senior executive of Chevron, a multinational energy corporation. This background provides him with extensive knowledge of global manufacturing, capital projects, health, safety and environmental and operations matters. Additionally, Mr. Bindra has knowledge of board and governance matters through his service as a board member of several publicly traded companies. |
| Robin Buchanan, British, 66, Supervisory Director since May 2011 |
| Position, Principal Occupation and Business Experience: Mr. Buchanan has served as a director of Schroders plc, a global asset management firm, since 2010, as a director of CICAP Limited, a private equity investor, since 2017, and as Senior Advisor to Bain & Company, Inc., a global business consulting firm, since 2007. He has also served as a director of Schroders plc, a global asset management company, since 2010 and,Mr. Buchanan previously, served as the Chairman of Michael Page InternationalPageGroup plc, a global specialist recruitment company, from 2011 to 2015 |

Key Attributes, Experience and Skills: Mr. Buchanan's background includes a long career in the United States and Europe with Bain & Company, where he was a member of the worldwide board of directors and the UK Senior Partner. He has deep experience in strategy, leadership, board effectiveness, business development, and acquisitions, as well as considerable involvement with chemicals and energy in Europe. As a current and former board member of several publicly traded, private, and charitable companies and the former Dean of the London Business School, he brings with him a wealth of experience in board and governance matters, particularly of multi-national companies.

Stephen F. Cooper, American, 71, Supervisory Director since July 2010

Position, Principal Occupation and Business Experience: Mr. Cooper has served as Chief Executive Officer and Director of Warner Music Group Corp., a recorded music and music publishing business, since 2011. He has also been a Managing Partner of Cooper Investment Partners, a private equity firm specializing in underperforming companies, since 2008.

Key Attributes, Experience and Skills: With a long career as a corporate turnaround specialist, Mr. Cooper has served as the top executive of several publicly traded companies, providing him with expansive knowledge and experience relating to all matters of executive management as well as finance and strategy. Mr. Cooper brings with him additional experience from his role as a sitting CEO and board member.

Nance K. Dicciani, American, 70, Supervisory Director since September 2013

Position, Principal Occupation and Business Experience: Ms. Dicciani has served as a director of Halliburton, an oilfield services company, since 2009; as a director of Praxair, an industrial gases company, since 2008; and as a director of AgroFresh Solutions, Inc., a horticultural technology company, since 2015. Previously, Ms. Dicciani served as a director of Rockwood Holdings, a specialty chemicals and advanced materials company, from 2008 until 2014.

Key Attributes, Experience and Skills: Ms. Dicciani previously served as a senior executive of Honeywell Specialty Materials and Rohm and Haas, both specialty chemicals manufacturers, providing her with specific industry knowledge and understanding of manufacturing, health, safety and environmental matters, and the competitive landscape for our industry. She also has extensive experience in all areas of executive management. Through her service on the boards of other publicly traded companies, Ms. Dicciani also has extensive experience in board and governance matters.

Claire S. Farley, American, 59, Supervisory Director since February 2014

Position, Principal Occupation and Business Experience: Ms. Farley has served as a director of Technip FMC since the combination of FMC Technologies, Inc., a global provider of technology solutions for the energy industry, and Technip S.A., a project management, engineering and construction company, in 2017 and as a director of Anadarko Petroleum since 2017. Previously, Ms. Farley served as a director of FMC from 2009 to 2017 and as a director of Encana Corporation, a North American energy provider, from 2008 through 2014. Ms. Farley has also served in several roles with KKR Energy Group, including as Vice Chair of KKR Energy Group from 2016 to 2017 and as a member of KKR Management LLC, the general partner of KKR & Co. L.P., a global investment firm, from 2013 to 2015, and continues to provide advisory services to the group.

Key Attributes, Experience and Skills: As a former executive in the oil and gas exploration and production industry, Ms. Farley brings with her experience in business development, mergers, acquisitions and divestitures, as well as knowledge of the chemical industry's feedstocks and their markets. She also has experience in all matters of executive management and as a board member of several publicly traded companies, she brings with her an understanding of public company and governance matters.

Isabella D. Goren, American, 57, Supervisory Director since February 2014

Position, Principal Occupation and Business Experience: Ms. Goren has served as a director of MassMutual Financial Group, a mutual life insurance company whose major affiliates include Oppenheimer Funds, Inc. and Barings LLC, since 2014 and as a director of Gap Inc., a global retail company with a portfolio of brands, since August 2011. From 2010 to 2013, Ms. Goren served as Senior Vice President and Chief Financial Officer of AMR Corporation, the parent holding company of several airlines, including American Airlines, Inc., where she also served as Senior Vice President and Chief Financial Officer.[2]

Key Attributes, Experience and Skills: Ms. Goren has held a wide range of executive roles in capital intensive and highly competitive global businesses. Her experience and expertise cover areas that include strategic planning, management of complex international operations, business development, asset management and corporate financing functions. As a board member of major multinational companies she also brings knowledge and experience in corporate governance.

Robert G. Gwin, American, 54, Supervisory Director since May 2011

Position, Principal Occupation and Business Experience: Mr. Gwin has served as Executive Vice President, Finance and Chief Financial Officer of Anadarko Petroleum Corporation, an oil and gas exploration and production company, since 2009. He has also served as Chairman of Western Gas Holdings, LLC (“Western Gas”), the general partner of Western Gas Partners, LP, an owner, operator and developer of midstream energy assets, since 2009; as a director of Western Gas since 2007; and as Chairman of Western Gas Equity Holdings, LLC, the general partner of Western Gas Equity Partners, LP, since 2012.

Key Attributes, Experience and Skills: As a seasoned executive and chairman of two publicly traded master limited partnerships, Mr. Gwin brings with him extensive knowledge and experience in all areas of executive management and board service. He also has experience in finance, strategy, capital markets, governance and publicly traded company matters, as well as knowledge of the upstream and midstream oil businesses, which are integral to the petrochemical industry’s feedstock supply chain.

Bruce A. Smith, American, 74, Supervisory Director since July 2010

Position, Principal Occupation and Business Experience: Mr. Smith is the Chief Executive Officer of One Cypress Energy LLC, a crude petroleum products logistics provider, a position he has held since 2011. Previously, Mr. Smith served as a director of GEVO, Inc., a renewable chemicals and advanced biofuels company, from 2010 to 2015.

Key Attributes, Experience and Skills: As former chairman and chief executive officer of Tesoro Corporation (now known as Andeavor), Mr. Smith has extensive knowledge of executive management and publicly traded company matters, including manufacturing, capital projects, health, safety and environmental and operations as well as the refining industry generally. He also has a background in all areas of finance, having served in corporate treasury and chief financial roles.

Rudy van der Meer, Dutch, 73, Supervisory Director since July 2010

Position, Principal Occupation and Business Experience: Mr. van der Meer has served as a Supervisory Director of James Hardie Industries S.E., an industrial fiber cement products and systems manufacturer, since 2007. Previously, Mr. van der Meer served as Chairman of the Supervisory Board of Coöperatie VGZ U.A., a health insurer, from

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[2] AMR Corporation and American Airlines, Inc. successfully completed a reorganization under Chapter 11 of the U.S. Bankruptcy Code in 2013, for which a voluntary petition was filed in 2011.

2011 to 2017 and as Chairman of the Supervisory Board of Royal Imtech N.V., a technical services provider, from 2005 to 2013.

Key Attributes, Experience and Skills: Mr. van der Meer's background includes a long career with a multinational paints, coatings and specialty chemicals producer, including as a senior executive. He has extensive industry experience, including with manufacturing, health, safety and environmental and operations matters. Mr. Van der Meer also has served on boards of several Dutch multinational companies, providing him with knowledge and understanding of public company governance matters.

**Independence of Supervisory Board Members**

Our Supervisory Board has adopted categorical standards that are used to assist in independence determinations. The categorical standards meet and in some instances exceed the requirements of the NYSE. To qualify as independent under our categorical standards, a Supervisory Director must be determined to have no material relationship with LyondellBasell other than as a Supervisory Director. The categorical standards include strict guidelines for Supervisory Directors and their immediate families regarding employment or affiliation with LyondellBasell as well as with its independent registered public accounting firm. Our categorical standards are included in our Corporate Governance Guidelines and can be found on our website at www.lyondellbasell.com.

The Supervisory Board has determined that there are no relationships or transactions that would prohibit any of the Supervisory Directors from being deemed independent. In addition to the relationships and transactions that would bar an independence finding under the categorical standards, the Supervisory Board considered all other known relationships and transactions in making its determination. Transactions and relationships considered included:

- Purchases by the Company's subsidiaries of natural gas and natural gas liquids from a subsidiary of Anadarko Petroleum, where Mr. Gwin serves as Executive Vice President and CFO and Ms. Farley serves as a director;
- A Company subsidiary's engagement of Worley Parsons, where Mr. Bindra served as a director until December 2017, for project management services related to capital projects;
- Company subsidiaries' engagement of the employee search and recruitment services of Michael Page International, where Mr. Buchanan served as Chairman until the end of 2015;
- Purchases by the Company's subsidiaries of industrial gases from, and sales of crude hydrogen to, Praxair, where Ms. Dicciani is a director;
- Mr. Benet's position as CEO of Access Industries, the Company's largest shareholder;
- Mr. Cooper's position as CEO of Warner Music, a subsidiary of Access Industries;
- Mr. Buchanan's position as an adviser to Access Industries and Non-Executive Chairman of its Advisory Board, which advises on portfolio strategy;
- Company subsidiaries' purchases of measurement products from a subsidiary of Technip FMC, where Ms. Farley is a director;
- Company subsidiaries' purchases of raw materials from, and license of certain technology and engineering services to, HPCL-Mittal Energy Limited, where Mr. Bindra is a director; and
- A Company subsidiary's engagement of Bain & Company, where Mr. Buchanan serves as Senior Advisor, for certain strategic planning and transaction advisory services.

In determining that none of these transactions or relationships affected the independence of any of the interested Supervisory Directors, the Supervisory Board considered the nature of the transactions and relationships. All of the transactions are ordinary course and none of the dollar amounts involved was material to the Company or the relevant counterparty. Additionally, the Supervisory Board determined that the relationships between certain Supervisory Directors and the Company's largest shareholder do not preclude a finding of independence for purposes of NYSE listing standards. Under the Dutch Corporate Governance Code, a Supervisory Director is not considered to be independent if he is a representative in some way of an entity which holds at least 10% of the Company's shares. The Dutch Corporate Governance Code further provides that there should be no more than one Supervisory Director at any time who can be considered to be affiliated with or representing such a 10% shareholder. Although our Supervisory Board has determined that each of Messrs. Benet, Buchanan, and Cooper is independent for the purposes of the NYSE listing standards, their nomination by Access Industries disqualifies them from independence under the Dutch Corporate Governance Code, and the Company does not meet the requirement that there be no more than one Supervisory Director representing Access Industries as described above. In the opinion of the Supervisory Board, each of the other independence requirements set forth in sections 2.1.7 through 2.1.9 of the Dutch Corporate Governance Code has been fulfilled.

**Meetings and Board Committees**

The Supervisory Board held four regularly scheduled meetings in 2017. Our Compensation Committee, Nominating and Governance Committee and HSE&O Committee meet in connection with each regularly scheduled Board meeting, other than the Board's strategy session held in July, while other Committees meet independently as the matters under their respective responsibilities require. Each of the Supervisory Directors attended at least 75% of the meetings of the Supervisory Board and of each committee of which he was a member. Although, the Company does not maintain a policy regarding Supervisory Board members' attendance at its annual general meetings, our Chairman, Mr. Gwin, attends and chairs the Company's annual general meetings.

The table below provides membership and meeting information for each of the Supervisory Board's standing committees. No changes to the committees were made in 2017.

| Name | Audit | Compensation (1) | Nominating & Governance (1) | HSE&O (1) | Finance | Executive (2) |
|---|---|---|---|---|---|---|
| Robert Gwin | | | | | | Chair |
| Jacques Aigrain | | Chair | | | ● | ● |
| Lincoln Benet | | | ● | | Chair | ● |
| Jagjeet Bindra | ● | | | Chair | | ● |
| Robin Buchanan | | ● | ● | | | |
| Steve Cooper | | | | ● | | |
| Nance Dicciani | | | | ● | ● | |
| Claire Farley | ● | | Chair | | | ● |
| Bella Goren | ● | ● | | | | |
| Bruce Smith | Chair | | | | ● | ● |
| Rudy van der Meer | | | ● | ● | | |
| 2017 Meetings | 7 | 3 | 3 | 4 | 7 | - |

(1) The Supervisory Board, Compensation Committee, Nominating and Governance Committee and HSE&O Committee each also met in person in September 2017 for an informal information session and held informal calls throughout the year.

(2) The Executive Committee held informal calls throughout the year and between meetings to discuss coordination amongst the Supervisory Board and its committees.

Each of our committees has a written charter, approved by the Supervisory Board. The charters can be found on our website at www.lyondellbasell.com.

***Audit Committee***

The Audit Committee is responsible for overseeing all matters relating to our financial statements and reporting; internal audit function and independent auditors; and our compliance function. Listed below are the general responsibilities of the Audit Committee.

- *Independent Auditor* - Engage external auditor and approve compensation; review independence and establish policies relating to hiring of auditor employees; and pre-approve audit services;

- *Internal Audit* - Review plans, staffing and activities of the internal audit function and its effectiveness;

- *Financial Statements* - Review financial statements and earnings releases; discuss and review accounting policies and practices and external auditor reviews; and discuss and review effectiveness of internal controls; and

- *Compliance* - Review plans, staffing and function of the Company's compliance function; establish and review procedures for complaints, including anonymous complaints regarding accounting, controls and auditing; and review the Company's Code of Conduct and system for monitoring compliance.

Our Board has determined that all Committee members are independent under the NYSE listing standards, our categorical standards, and the heightened independence requirements applicable to audit committee members under the rules of the SEC. Our Supervisory Board has also determined that all Committee members are financially literate in accordance with the NYSE listing standards and that Mr. Smith and Ms. Goren qualify as audit committee financial experts under SEC rules.

***Compensation Committee***

The Compensation Committee is responsible for overseeing our executive compensation programs and developing the Company's compensation philosophy.

In fulfilling its responsibility for the oversight of compensation matters, the Compensation Committee may delegate authority for day-to-day administration and interpretation of the Company's plans to Company employees, including selection of participants, determination of award levels within plan parameters, and approval of award documents. However, the Compensation Committee may not delegate authority under those plans for matters affecting the compensation and benefits of the Company's executive officers. The Compensation Committee's responsibilities include the following:

- *Executive Compensation* - Approve compensation and benefits of executive officers; review objectives of executive compensation to ensure consistency with corporate objectives; review and approve goals and objectives of CEO compensation and evaluate CEO performance; and make recommendations to the Supervisory Board for all executive officers' compensation; and

- *Company Compensation Benefits* – Review the Company's compensation philosophy, programs and practices; review and approve pension and benefit arrangements as well as funding of pension and benefit plans; and make recommendations to the Supervisory Board regarding the same;

Our board has determined that all Compensation Committee members are independent under the NYSE listing standards, our categorical standards and independence requirements applicable to compensation committee members under NYSE rules.

*Compensation Committee Interlocks and Insider Participation* - No member of the Compensation Committee serves or has served as an officer or employee of the Company or any of our subsidiaries and, during 2017, no executive officer served on the compensation committee or board of any entity that employed any member of our Compensation Committee or Supervisory Board.

***Nominating & Governance Committee***

One of the primary responsibilities of the Nominating & Governance Committee is to identify nominees for election to the Supervisory Board. It is the duty of the Nominating & Governance Committee to oversee matters regarding corporate governance. In fulfilling its duties, the Nominating & Governance Committee has the following responsibilities:

- *Administrative* - Coordinate evaluations by committees and the full Supervisory Board;

- *Supervisory Directors and Supervisory Director Nominees* - Identify and recommend candidates for membership on the Supervisory Board; recommend committee memberships and recommend Supervisory Board compensation; and

- *Corporate Governance* - Review the Company's governance profile and make recommendations regarding the same; review and propose modifications to the Company's governance documents and policies; and review and comment on shareholder proposals.

***Health, Safety, Environmental & Operations Committee***

It is the duty of the Health, Safety, Environmental & Operations ("HSE&O") Committee to assist the Supervisory Board in its oversight responsibilities by assessing the effectiveness of environmental, health and safety programs and initiatives that support Company policies. The HSE&O Committee also reviews the Company's material technologies and the risks relating to its technology portfolio as well as its performance in executing large capital projects and turnarounds. In fulfilling its duties, the HSE&O Committee has the following responsibilities:

- *Administrative* - Review the status of the Company's health, safety and environmental policies and performance, including processes to ensure compliance with applicable laws and regulations;

- *HSE Performance* - Review and monitor the Company's health, safety and environmental performance statistics, provide oversight of the programs, initiatives and activities in the areas of technology and sustainability; review with management environment, health, safety, product stewardship and other sustainability issues that can have a material impact on the Company; and review the status of related policies, programs and practices;

- *Audit* - Review and approve the scope of the health, safety and environmental audit program and regularly monitor program results; review and approve the annual budget for the health, safety and environmental audit program; and

- *Reporting* - Report periodically to the Supervisory Board on technology, health, safety and environmental matters affecting the Company.

***Finance Committee***

The Finance Committee assists the Supervisory Board in its oversight responsibilities by monitoring and assessing such matters as the Company's capital structure and allocation, debt portfolio, and derivative strategies. In fulfilling its duties, the Finance Committee has the following responsibilities:

- *Strategy* – Review analyses and provide guidance and advice regarding acquisitions and divestments and discuss and review the Company's tax strategies, planning and related structures;

- *Capital* – Review the Company's capital structure and capital allocation, including organic or inorganic investments, review and discuss the dividend policy; and review and discuss share repurchase activities and plans; and

- *Securities and Financing* – Review and discuss the Company's debt portfolio, credit facilities, compliance with financial covenants; review and discuss the commodity, interest rate or currency derivative strategies; and review and discuss the Company's securities offerings.

***Executive Committee***

The Executive Committee consists of the chairs of each of the other Supervisory Board committees. The role of the Executive Committee is to facilitate and improve communication and coordination among the Supervisory Board and its committees. It does so by, among other things, collaborating on agenda setting and discussing ad-hoc issues .

### 3.1 Evaluation of the Supervisory Board, the Management Board, and Their Individual Members

Each year the Supervisory Board and its committees evaluate their own effectiveness through participation in a robust self-assessment process. The Board members respond to survey questions intended to solicit information to be used to improve effectiveness of the Board and its committees. The key areas covered in the self-evaluations include membership; responsibilities; functionality; meetings; strategy; senior management (including succession planning); focus on performance; ensuring financial robustness; building corporate reputation; and matching risk with return. The feedback from the self-evaluation process is discussed during Board and committee meetings in executive sessions. Each committee also considers whether it is functioning in compliance with its charter and keeping the Board adequately informed and reviews its member skill sets and any identified leadership issues.

In 2017, the Nominating and Governance Committee engaged a special consultant to facilitate the evaluation process and solicit feedback on Board, committee, and individual performance. Beginning in late 2017 and continuing into early 2018, the consultant met with each member of the Supervisory Board individually and reported to the Nominating and Governance Committee and the Supervisory Board regarding the feedback provided and key takeaways.

In addition, the Supervisory Board and its committees meet regularly in executive session without members of the Management Board present and discuss, among other things, the functioning of the Management Board as a whole and the performance of individual Managing Directors. These discussions and evaluations are used to set a continuous and constructive dialogue regarding how to maintain and improve upon the functioning of and collaboration between the Management Board, the Supervisory Board and their respective members and committees.

### 3.2 Compensation of the Management Board

The compensation paid to members of the Management Board is based on their duties as executives of the Company. Management Board members do not receive additional compensation for serving on the Management Board.

The design principles of our executive compensation program include the following objectives:

- Take into account the realities of a cyclical, commodity industry;
- Align the interests of management with those of our shareholders;
- Encourage both short- and long-term results;
- Attract, retain, and incentivize the highest caliber team possible.
- Provide the ability to pay high achievers above-market median pay based on individual performance, potential, and impact to the Company’s results; and
- Recognize and maintain the Company’s market-leading position in HSE performance, cost discipline, and business performance.

Our compensation philosophy is supported by the following principal components of compensation:

**Base Salary**: Base salaries provide executives with a regular fixed income in recognition for their job responsibilities. Executives’ base salaries are determined when they are hired or promoted into their positions and reviewed annually. The amounts of their salaries are determined on a number of factors, including market based data, the individual’s work experience and time in his role, the complexity and scope of his responsibilities, and internal pay equity among the Company executives.

**Annual Bonus**: Annual bonus opportunities are determined as a percentage of base salary. The annual bonuses are meant to incentivize our executives and align their compensation with the achievement of the Company’s annual priorities. Based on Company performance, executives will earn from 0-200% of the target bonus amount. The bonuses are also designed to reflect individual contribution and performance. Each executive receives an individual modifier for his performance during the year, ranging from 0-1.5. The earned percentage of the target is multiplied by this modifier, which can result in an actual payout from 0-300% of the target bonus amount.

**Long-Term Incentives**: Long-term incentive awards are meant to encourage the achievement of increased value over the longer term and more closely align the interests of our executives with those of shareholders. The aggregate target value of long-term incentives awarded to each executive is a percentage of his base salary. The long-term incentive awards we grant include the following:

- **Performance Share Units (PSUs) –** Vest over a three-year performance period and are converted to shares upon vesting. Awards can vest from 0-200% of target, depending on the Company's performance and the ultimate value received by executives is dependent on the Company's share price when the award vests. Performance for the PSUs granted in 2017 will be based solely on relative total shareholder return (TSR). PSUs accrue dividend equivalents during the performance period in the form of additional units.
- **Restricted Stock Unit Awards (RSUs)** – Vest in full after three years and receive one share for each unit at vesting. The ultimate value received by executives is dependent on the Company's share price when the award vests. RSUs receive cash dividend equivalents at the same time and in the same amount as dividends paid to shareholders.
- **Stock Options** – Vest ratably over a three-year period and expire 10 years after the date of the grant. The exercise price is the fair market value on the date of grant.

**Perquisites and Other Benefits**: Our named executives receive the same benefits generally provided to all other employees, which include vacation allowances, Company matching under our 401(k) plan, Company contributions to our defined benefit pension plan, and health and welfare benefits. The perquisites received by our executives that are not offered to all employees include:

- Annual executive physical – The Company provides annual physical exams to executives.
- Financial, tax, and estate planning – The Company will reimburse up to $15,000 of expenses.
- Matching under the U.S. Deferral Plan – The Company makes contributions to the U.S. Deferral Plan for amounts that exceed the IRS limits under our 401(k) plan and our defined benefit pension plan. The value of the matching contributions is 11% for compensation in excess of the IRS limit.

From time to time, the Company provides other benefits to our executives that are intended for business purposes, including tax equalization payments and the payment of business club memberships or dues. The tax equalization payments are designed to make executives whole if they incur income tax in jurisdictions other than their country and/or state of residence. For example, executives may travel to other jurisdictions on Company business and may be taxed on days worked in those jurisdictions. If, and only to the extent, those additional taxes cannot otherwise be offset against the executive's regular income tax liability (such as in the form of credits), the Company will reimburse the executive in an amount sufficient to make his tax liability equal to the full income tax for his jurisdiction of residence only.

Annually, the Compensation Committee reviews the total target direct compensation for each of our executive officers. This includes base salary, target bonus opportunity, and target long-term incentive value (in the form of PSUs, RSUs, and stock options). The Compensation Committee then sets each of the executives' compensation targets for the current year. This generally involves establishing an annual bonus target and the value of long-term incentive awards. Regular salary adjustments, if any, normally become effective on April 1 of the year. The Compensation Committee's decisions are reviewed and ratified by the full Supervisory Board.

The Compensation Committee reviews publicly available financial and compensation information reported by our peer group companies and general and survey data. The Compensation Committee reviews this data to determine the median compensation for each position. The median is used as a reference point for pay recommendations. Actual pay and targets vary from median, based on an executive's:

- industry experience;
- experience in his role and at the Company;
- Internal pay parity among executives; and
- Any other factors the Compensation Committee deems relevant.

Pursuant to the rules established by the United States Securities & Exchange Commission, we were required to undertake an analysis of the ratio of the compensation paid to our Chief Executive Officer to the ratio of the median of the total annual compensation of all employees in 2017:

- The annual total compensation of the global median employee of our company (other than Mr. Patel, our Chief Executive Officer), was $111,568;
- The annual total compensation of Mr. Patel, our Chief Executive Officer, was $17,589,372; and
- Based on this information, the ratio of the annual total compensation of our Chief Executive Officer to the annual total compensation of the global median employee is 158 to 1.

We identified the global median employee by examining the 2017 total compensation for all regular full- and part-time employees who were actively employed by the Company on December 31, 2017 and students and interns who were hired for partial periods during 2017. For these employees, we calculated annual compensation using the following methodology and guidelines:

- To find the annual total compensation of all of our employees (other than our Chief Executive Officer), we considered all gross and net components of compensation (including short-term and long-term incentives) received by each employee and documented in the year-end payroll records for 2017.
- Compensation for full- and part-time employees hired during 2017 and still active as of December 31, 2017 was annualized based on the number of pay periods worked. Compensation for all students and interns hired for partial periods during 2017 was not annualized.
- Annual compensation for expatriate employees and employees involved in permanent cross-border transfers during 2017 was calculated using all relevant country payroll records.

After identifying the global median employee, we calculated annual total compensation for the selected employee using the same methodology used for our named executive officers as set forth in the Summary Compensation Table.

Information on the compensation paid to each member of the Management Board for 2017 performance can be found in Note 9 to the Consolidated Financial Statements.

## Financial Statements

The Management Board has prepared the annual accounts and discussed these with the Supervisory Board. The Report of the Independent Auditor, PricewaterhouseCoopers Accountants N.V., is included in the 'Other Information' on page 171 through 177. The financial statements are being presented for adoption by shareholders at the 2017 Annual Meeting. The Supervisory Board recommends that shareholders adopt these financial statements.

## Additional Information

For additional information, see the Corporate Governance Statement (page 48), which is deemed to be incorporated by reference herein.

London, 5 April 2018

**The Supervisory Board**

Robert G. Gwin (Chairman)

Jacques Aigrain

Lincoln Benet

Jagjeet S. Bindra

Robin Buchanan

Stephen F. Cooper

Nance K. Dicciani

Claire S. Farley

Isabella D. Goren

Bruce A. Smith

Rudy M.J. van der Meer

# 4 Corporate Governance and Risk Management

## 4.1 Corporate Governance Statement

We monitor and assess applicable Dutch, U.S., and other relevant corporate governance codes, rules, and regulations. We are subject to the Dutch Corporate Governance Code (the "Code"), as we are a listed company with its statutory seat in the Netherlands. As a NYSE listed company, we also are required to comply with the U.S. Sarbanes-Oxley Act of 2002, as well as NYSE listing rules, and the rules and regulations promulgated by the U.S. Securities and Exchange Commission ("SEC"). As an overseas company, with executive offices in the United Kingdom, we are also required to comply with applicable requirements of U.K. company law, including the Companies Act 2006.

Our corporate governance structure is based on the requirements of the Dutch Civil Code, the company's Articles of Association and the rules and regulations applicable to companies listed on the New York Stock Exchange, complemented by several internal procedures. These procedures include a risk management and control system, as well as a system of assurance of compliance with laws and regulations.

For the full text of the Code, please refer to the website http://www.commissiecorporategovernance.nl/. For the full text of the U.S. Sarbanes-Oxley Act of 2002, as well as NYSE listing rules, and the rules and regulations promulgated by the SEC, see www.sec.gov/about/laws/soa2002.pdf, http://nyse.com/, and www.sec.gov/about.shtml respectively.

The Code contains principles and best practices for Dutch companies with listed shares. We agree with both the general approach and the vast majority of its principles and best practice provisions. Any deviations from the Code are explained, in accordance with the Code's "apply or explain" principle.

Any material changes in our corporate governance structure and/or our compliance with the Code will be discussed at LyondellBasell's 2018 Annual Meeting of shareholders as a separate agenda item. The Management Board and the Supervisory Board are of the opinion that the company's corporate governance structure, as described here, is the most appropriate for LyondellBasell. With the exception of those aspects of our governance structure which can only be amended with the approval of shareholders, the Management Board and the Supervisory Board may make adjustments to the way the Code is applied, if this is considered to be in the interest of the Company. If adjustments are made, they will be published and reported in the annual report for the relevant year.

## 4.2 Management Board

As of the date of this report, we have a dual board structure, a common structure for Dutch companies. Under the dual board structure, there is a Supervisory Board and a Management Board. Supervisory Board members are all non-executives and Management Board members are executives of the Company. Our Articles of Association provide that our Chief Executive Officer ("CEO") shall serve as the Chairman of the Management Board. The following individuals are the current members of our Management Board:

- Bhavesh (Bob) V. Patel, CEO and Chairman of the Management Board;
- Thomas Aebischer, Executive Vice President and Chief Financial Officer ("CFO");
- Daniel Coombs, Executive Vice President – Global Manufacturing, Refining, Projects and Technology;
- James Guilfoyle, Senior Vice President – Global Intermediates & Derivatives and Supply Chain; and
- Jeffrey A. Kaplan, Executive Vice President and Chief Legal Officer.

Kevin W. Brown, our former Executive Vice President – Manufacturing & Refining was also a member of the Management Board for the beginning of 2016, but retired effective 17 February 2017.

Members of the Management Board are executive officers of LyondellBasell that are nominated by the Supervisory Board and elected by the general meeting of shareholders. The Management Board is responsible for the management of the Company. This includes the responsibility for, among other things:

- setting and achieving the Company's objectives;
- the Company's strategy, policies, the ensuing delivery of results, and the risks inherent in its business activities and the financing of the Company;
- the structure and operation of the internal risk management and control systems;
- the financial reporting process and establishment and maintenance of the internal controls over financial reporting;
- the disclosure of information to shareholders;
- compliance with legislation and regulations;
- the relation between the Company and its stakeholders, including shareholders;
- the corporate social responsibilities of the Company; and
- the Company's corporate structure.

The term of office of each of our Management Board members expires at the 2018 Annual Meeting of shareholders. Information about each of our Management Board members is shown below:

**Bhavesh (Bob) V. Patel**, American, 51, Chief Executive Officer and Chairman of the Management Board since January 2015.

Mr. Patel has served as our CEO and Chairman of the Management Board since January 2015. From joining the Company in March 2010 until he was named as CEO in January 2015, Mr. Patel served as Senior Vice President – Olefins and Polyolefins–Americas and then as Executive Vice President – Olefins and Polyolefins–Europe, Asia, International & Technology, with additional responsibility for all manufacturing operations outside of the Americas and the Company's Polypropylene Compounding business. Since July 2017, Mr. Patel has served as a director of Union Pacific Corporation.

**Thomas Aebischer**, Swiss, 56, Executive Vice President and Chief Financial Officer since January 2016.

Mr. Aebischer has been a member of the Management Board since 2016. Prior to joining the Company in 2016, Mr. Aebischer served in a variety of positions at LafargeHolcim, one of the world's largest cement, concrete, and aggregates businesses, including as its Chief Financial Officer, over a 20-year career with the company. Earlier in his career, Mr. Aebischer worked for PricewaterhouseCoopers and the Bern cantonal tax authorities in Switzerland.

**Daniel Coombs**, American, 61, Executive Vice President–Manufacturing, Projects, Refining, and Technology since January 2016.

Mr. Coombs joined the Company in 2015 as Executive Vice President – Intermediates & Derivatives and was elected to the Management Board in 2016. Since 2015, he has held various executive positions with responsibility for the Company's Technology and global Olefins and Polyolefins businesses and in our procurement and supply chain functions. Prior to joining the Company, Mr. Combs spent over 15 years at Chevron Phillips Chemical Company and its subsidiaries or joint ventures.

**James Guilfoyle**, American, 47, Senior Vice President–Global Intermediates & Derivatives since June 2015.

Mr. Guilfoyle, elected to the Management Board in 2016, has spent 24 years at the Company and its predecessors in a variety of roles of increasing responsibility, including as Director and Vice President of Sales and Marketing and Commercial Operations for several products and divisions within the organization.

**Jeffrey A. Kaplan**, American, 49, Executive Vice President and Chief Legal Officer since March 2015.

Mr. Kaplan joined the Company in 2009 as Deputy General Counsel and was named the Company's EVP and Chief Legal Officer and elected to the Management Board in 2015. In his time at the Company, he has overseen most areas of the legal department. Prior to joining the Company, Mr. Kaplan served in a variety of legal roles at Chevron Phillips Chemical Company, including as Deputy General Counsel, and in private practice.

In fulfilling its management tasks and responsibilities, the Management Board considers the interests of the Company and the business connected with it, as well as the interests of the Company's stakeholders. The Management Board is accountable to the Supervisory Board and the general meeting of shareholders for the performance of its management tasks.

Under a two-tier board structure, the Supervisory Board supervises and advises the Management Board in the execution of its tasks and responsibilities. The Management Board provides the Supervisory Board with all information, in writing or otherwise, necessary for the Supervisory Board to fulfill its duties. Besides the information provided in the regular meetings, the Management Board keeps the Supervisory Board frequently informed with respect to developments relating to LyondellBasell's business, financials, operations, and also with respect to industry developments in general.

Important decisions of the Management Board that require the approval of the Supervisory Board are, among others:

- The operational and financial objectives of the Company;
- The strategy to achieve the Company's objectives;
- The business and financial plans of the Company; and
- Corporate social responsibility issues relevant to the Company and the industry in which it operates.

The Rules for the Management Board contain the general responsibilities of the Management Board, the decision making process within the Management Board, and also the logistics surrounding the meetings. The Rules for the Management Board are posted in the Corporate Governance section within the Investor Relation section on our website at www.lyondellbasell.com.

The Supervisory Board may suspend one or more members of the Management Board at any time. The annual meeting of shareholders may suspend or dismiss a member at any time, but only by means of a resolution adopted by at least two-thirds (2/3) of the valid votes cast, such two-third majority representing more than half of the issued capital.

Management Board members may only accept a Supervisory Board membership of another listed company after having obtained prior approval from the Supervisory Board. Members of the Management Board are also required to notify the Supervisory Board of other important functions held or to be held by them.

The Management Board and Supervisory Board have proposed to amend the Company's Articles of Association to, among other things, provide for a one-tier board of directors. Our Supervisory Board believes that the implementation of such one-tier board is in the best interests of the Company and its stakeholders, as it streamlines the Company's decision making process and is a familiar construct for much of the Company's shareholder base. The amendment of the Articles of Association is an item on the agenda of the 2018 Annual Meeting. If the amendment of the Company's Articles of Association is approved and the one-tier board is implemented, the Company will be managed by a single board of directors consisting of both executive directors and non-executive directors. The tasks, duties, and responsibilities of the one-tier board will be reflected in the report to be prepared for the financial year ending on 31 December 2018.

## 4.3 Code of Conduct

Part of LyondellBasell's risk management and control system is the Company's Code of Conduct. The Code of Conduct contains rules and guidelines on integrity subjects, issues and the Company's values. These values include respecting fellow employees, working safely, exercising care when using the Company's assets, avoiding conflicts of interest, complying with anti-corruption laws, preventing money laundering, and preventing insider trading and tipping.

LyondellBasell has established a complaints procedure, which provides guidance with respect to the reporting by employees, anonymously if desired, of alleged violations of the Code of Conduct or other Company policies. The complaints procedure provides that alleged violations of the Code of Conduct can be reported by both LyondellBasell employees as well as third parties by calling a hotline or submitting information via the internet.

The Code of Conduct, including complaints received based on the complaints procedure, if any, are regularly discussed in the Audit Committee.

The Code of Conduct and information on how to submit complaints are posted in the Corporate Governance section of the Investor Relations section of our website at www.lyondellbasell.com.

The compliance with the Code of Conduct is monitored on a regular basis. With the aim of ensuring the effectiveness of the Code of Conduct, and mandatory training courses on our Code of Conduct are conducted regularly by all employees worldwide.

## 4.4 Conflicts of Interest

The Management Board's Rules prohibit members of the Management Board from participating in deliberations or decisions on a subject or transaction in relation to which he has a direct or indirect personal interest, which may conflict with the interests of the Company and its associated enterprise. Additionally, any payments to a member of the Management Board, other than regular salary payments, expense reimbursements and payments arising under the Company's benefit and compensation plans applicable to employees generally must be approved by the Supervisory Board. Finally, the Company maintains a Related Party Transaction Policy, described below, that requires Audit Committee approval of certain transactions between the Company and any officer, director or substantial shareholder. During the year 2017, no transactions occurred that could have given the appearance of conflicts of interests or that effectively involved conflicts of interests. Best practice provisions 2.7.3 through 2.7.5 of the Dutch Corporate Governance Code have been complied with.

## 4.5 Related Party Transactions

We have adopted a written Related Party Transaction Approval Policy, which requires the disinterested members of the Audit Committee to review and approve, in advance of commitment, certain transactions that we may enter into with related parties, including Supervisory Directors, Managing Directors, executive officers and certain shareholders. The transactions covered by the policy are those which are:

- in the ordinary course of business but with an aggregate value of $25 million or more,
- not in the ordinary course of business, regardless of value, or
- any transaction where an officer or Supervisory Director of the Company has a direct or indirect material interest and the transaction has a value of $120,000 or more.

The disinterested members of the Audit Committee determine the fairness of the any related party transaction to the Company by considering whether the terms of the transaction are no less favorable than those which could be obtained from non-related parties. The following is a description of related party transactions in existence since the beginning fiscal year 2017.

In 2010, we entered into certain agreements with affiliates of Access Industries. These agreements include a registration rights agreement that obligates us to register and bear the costs for the resale of equity securities owned by Access Industries or its affiliates, and a nomination agreement. Pursuant to the nomination agreement, Access Industries has the right to nominate individuals for appointment to the Supervisory Board if certain ownership thresholds are met. Access Industries currently owns more than 18% of our outstanding shares and nominated Messrs. Benet, Buchanan and Cooper pursuant to the agreement. The nomination rights continue for so long as Access Industries owns at least 5% of our outstanding shares. The Company entered into these agreements before it became publicly traded and the Related Party Transaction Policy was adopted; however, subsequent amendments to the nomination agreement have been approved by our disinterested Board members.

On an ongoing basis and in the ordinary course of business, the Company makes spot purchases of natural gas and natural gas liquids (“NGLs”), which are raw materials used by the Company to manufacture its products, from Anadarko Petroleum. Robert G. Gwin, the Chairman of our Supervisory Board, serves as Executive Vice President and Chief Financial Officer of Anadarko Petroleum, and Claire Farley, a Director serving on our Supervisory Board, was appointed to Anadarko’s board of directors in early 2017. In July 2014, the Audit Committee approved the Company making spot purchases from Anadarko as it deems appropriate. The transactions were approved based on the fact that they were on terms no less favorable than those which could be obtained from non-related parties. The Company purchased approximately $49 million of natural gas and NGLs from a subsidiary of Anadarko Petroleum in 2017. The Nominating and Governance Committee and Supervisory Board considered these purchases in connection with the determinations that Mr. Gwin and Ms. Farley are independent. The Company does not believe that Mr. Gwin’s or Ms. Farley’s position at Anadarko gives rise to a direct or indirect material interest in the transactions.

The Supervisory Board previously agreed to advance legal expenses to certain former and current executive officers, including: Jim Gallogly, our former CEO; Craig Glidden, our former EVP and Chief Legal Officer; Kevin Brown, our former Executive Vice President – Manufacturing and Refining; and Bob Patel, our current CEO and Chairman of the Management Board. The expenses relate to the defense of audits by the Internal Revenue Service of tax year 2012 challenging the tax treatment under Section 409A of the Internal Revenue Code of equity awards we granted to these individuals. In early 2017, the individuals agreed in principle to settlements with the IRS relating to the audits of tax year 2012. The Board approved the reimbursement of these individuals for the cost of the settlements, on an after-tax basis, and the Company advanced an aggregate of approximately $1.7 million in defense costs in 2016 and, in 2017, reimbursed an aggregate of approximately $1.7 million in payment of the settlement costs.

In March 2018, a group of investors including Access Industries completed the acquisition of Calpine Corp., the owner and operator of power plants across the U.S. and Canada and a supplier of power and steam to the Houston Refinery. Following the consummation of the acquisition, the Audit Committee approved the continuation of the Company's contractual relationship with Calpine on existing terms, as the terms of the contracts were negotiated prior to the time that the relationship with Access and Calpine arose and determined to be fair to the Company and more advantageous than those offered by other parties. The Company purchased approximately $73 million of power, steam, and water from Calpine and sold approximately $16 million of excess gas and raw water to Calpine in 2017.

*Indemnification*

We indemnify our Supervisory and Managing Directors to the fullest extent permitted by law so that they will be free from undue concern about personal liability in connection with their service to the Company. Our Articles of Association require indemnification, and we have also entered into agreements with those individuals contractually obligating us to indemnify them.

## 4.6 Dutch Corporate Governance Code

As a Dutch company, our governance practices are governed by the Dutch Corporate Governance Code (the "Code") a copy of which is available at www.commissiecorporategovernance.nl. The Code contains a number of principles and best practices. The Code, in contrast to U.S. laws, rules and regulations, contains an "apply-or-explain" principle, offering the possibility to deviate from the Corporate Governance Code and still be in compliance as long as any such deviations are explained. In certain cases, we have not applied the Code's practices and provisions and in those instances explain the non-application.

We conduct our operations in accordance with internationally accepted principles of good governance and best practice, while ensuring compliance with the corporate governance requirements applicable in the countries in which we operate. There is considerable overlap between the requirements we must meet under U.S. rules and regulations and the provisions of the Code and we apply almost all of the provisions of the Code. For clarity purposes, we have listed below deviations from the Code and our reasons for deviating.

***2.1.5***

*Diversity*

The Company's Supervisory Board currently consists of eleven members, three of whom are female. The Company's Management Board currently consists of five members, none of whom is female. The Supervisory Board believes that diversity, including with respect to gender, nationality, experience and background is important and beneficial to a well-functioning board. Members of the Management Board were and will continue to be chosen from the executive officers of the Company based on their job responsibilities, regardless of gender. Subject to the availability of suitable candidates at the time of appointments, the Company aims to reach a well-balanced mix of men and women among the Management Board and Supervisory Board.

The Company does not yet have a diversity policy. However, the Supervisory Board and its Nominating & Governance Committee continually evaluate the Company's diversity initiatives and efforts to recruit and retain diverse employees and Directors.

***2.1.7***

Our Supervisory Board currently consists of eleven members, three of whom (Messrs. Benet, Buchanan and Cooper) have been nominated by a shareholder pursuant to a nomination agreement. Under the provisions of the Code, but not under the NYSE listing standards, those three members are not considered independent as a result of their affiliation with the shareholder that nominated them, which owns more than 10% of our shares. Under the Code, for each shareholder holding 10% or more of the Company's shares at most one Supervisory Director may be on the Supervisory Board. This deviation from the Code is a result of our obligation under the nomination agreement with an affiliate of Access Industries to nominate individuals to our Supervisory Board. The Company entered into the nomination agreement before it became publicly traded; however, subsequent amendments to the nomination agreement have been approved by our disinterested Supervisory Board members. The Supervisory Board believes that each of its non-independent members brings with him a level of skill, experience and qualifications that benefit the workings of the Supervisory Board and therefore the Company's stakeholders generally.

***2.2.2***

Members of the Supervisory Board are appointed for one-year terms; however, there is no limit on the number of terms a Supervisory Board member may serve.

Currently, the Supervisory Board does not believe there is a driving interest in limiting members to the "maximum of two four-year terms plus two two-year terms" provision of the Code. To the contrary, the Supervisory Board believes that a depth of history and knowledge of the Company, which can be developed through long-term service, continues to be key to an effective oversight of the Company. The Supervisory Board intends to revisit the provisions in its governing documents on a continuous basis and may determine that limitations of the number of terms for Supervisory Board members is appropriate. Notwithstanding any such determinations, under the nomination rights described above, as long as certain shareholders maintain their share ownership at required levels, they will be able to nominate individuals of their choosing; the result of which may be for individuals nominated by them to serve for longer than any Supervisory Board determined terms.

***3.1.2.v***

The number of options and restricted stock units that we grant to our executives are determined based on an overall target of equity based compensation, calculated as a percentage of base salary, rather than on the achievement of specified targets as is considered best practice under the Code. The targeted values of options and restricted stock units granted are determined based on peer group analyses to ensure competitive compensation for attracting and retaining our executives.

***3.1.2.vi***

In contrast to best practices provision 3.1.2.vi under the Code, we do not require all shares granted as compensation to be held for five years or until the end of employment. Instead, our Compensation Committee implemented share ownership requirements that restrict selling of shares unless certain levels of equity are held. We believe that the share ownership guidelines appropriately ensure executives retain enough equity to make certain their interests are aligned with shareholders while also allowing flexibility for diversification of personal wealth.

***3.1.2.vii***

The stock options we grant to our executive officers, including our members of the Management Board, are exercisable before the third anniversary of the date of grant, which is contrary to best practices provision 3.1.2.ii in the Code. The vesting terms of options to our members of the Management Board vary between three and five years, and begin vesting on the first anniversary of date of grant. We believe our vesting schedules are in line with the practices of our peer group used for executive compensation purposes and necessary to attract and retain the best people.

***3.2.1***

Mr. Patel, our CEO, is party to an employment agreement that provides for severance payments that are in excess of one year's base salary. Other executives, including members of the Management Board, are participants in our Executive Severance Plan. The employment agreement and the severance plan provide for base salary plus annual bonus. We believe that these severance arrangements are consistent with market practices and our peer group severance arrangements and are necessary to attract or retain qualified leaders.

***3.3.2 and 3.3.3***

Members of the Supervisory Board have been granted restricted stock units as a portion of their annual remuneration. The restricted stock units entitle the recipient to an equal number of the Company's shares after certain time-based vesting requirements have been met. Additionally, Supervisory Board members are allowed to receive shares of our common stock in lieu of their cash retainers. This is a deviation from the Code, which states that supervisory board members shall not be granted shares and/or rights to shares by remuneration.

The Company believes that granting rights to acquire shares aligns the Supervisory Board members' interests with those of shareholders, thereby increasing the incentives to make decisions that create long-term value for the Company.

Additionally, as part of their review of director compensation, the Nominating & Governance Committee and the Supervisory Board consider, among other factors, the practices at a comparative group of public companies, based on market comparison studies prepared by an outside consultant. All of the companies in the comparative group offer some form of equity compensation. For that reason, among others, the Company believes that equity awards are reflective of the market and are necessary to attract and retain highly skilled individuals with relevant experience and to reflect the time and talent required to serve on the board of a complex, multinational corporation.

## 4.7 Shareholders and General Meeting of Shareholders

*Powers*

A general meeting of shareholders will be held at least once a year in the Netherlands. In this meeting, the following items are expected to be discussed and/or approved:

- the written report of the Management Board containing the course of affairs in LyondellBasell and the conduct of the management during the past financial year as disclosed in this Annual Report;
- the adoption of the annual accounts;
- LyondellBasell's reserves and dividend policy and justification thereof by the Management Board;
- the discharge of the members of the Management Board in respect of their management during the previous financial year;

- the discharge of the members of the Supervisory Board in respect of their supervision during the previous financial year;
- each material change in the corporate governance structure of LyondellBasell (if occurred); and
- any other item the Management Board or the Supervisory Board determine to place on the agenda.

The Management Board requires the approval of the general meeting of shareholders and the Supervisory Board for resolutions regarding a significant change in the identity or character of LyondellBasell or its business, including in any event:

- a transfer of the business or virtually all of the business to a third party;
- entry into or termination of long-term cooperation by LyondellBasell or a subsidiary with another legal entity or partnership or as a general partner with full liability in a limited or general partnership if such cooperation or the termination thereof is of far-reaching significance for LyondellBasell; and
- an acquisition or disposal by LyondellBasell or a subsidiary of a participation in the capital of another company, the value of which equals at least one third of the amount of the assets according to the consolidated statement of financial position with explanatory notes attached to the Annual Accounts as most recently adopted.

Proposals placed on the agenda by the Supervisory Board, the Management Board, or at the request of shareholders, provided that they have submitted the proposals in accordance with the provisions of LyondellBasell's Articles of Association, will be discussed and resolved upon. Shareholders are entitled to request the Supervisory Board to place agenda items on the annual general meeting agenda at the latest sixty days before the meeting, and provided that they represent at least 1 percent of LyondellBasell's outstanding share capital or whose shares represent a value of at least €50,000,000.

The Management Board or Supervisory Board may convene Extraordinary General Meetings as often as they deem necessary. Such meetings must be held if one or more shareholders and others entitled to attend the meetings jointly representing at least one-tenth of the issued share capital make a written request to that effect to the Supervisory Board, specifying in detail the items to be discussed.

*Information to the Shareholders*

To ensure fair disclosure, LyondellBasell distributes Company information that may influence the share price to shareholders and other parties in the financial markets simultaneously and through means that are public to all interested parties.

When LyondellBasell's annual and quarterly results are published by means of a press release, interested parties, including shareholders, can participate through conference calls and view the presentation of the results on LyondellBasell's website. The schedule for communicating the annual financial results is in general published through a press release and is posted on LyondellBasell's website.

It is LyondellBasell's policy to post the presentations given to analysts and investors at investor conferences on its website. Information regarding presentations to investors and analysts and conference calls are announced in advance on LyondellBasell's website. Meetings and discussions with investors and analysts shall, in principle, not take place shortly before publication of regular financial information. LyondellBasell does not assess, comment upon, or correct analysts' reports and valuations in advance, other than to comment on factual errors. LyondellBasell does not pay any fees to parties carrying out research for analysts' reports, or for the production or publication of analysts' reports, and takes no responsibility for the content of such reports.

At the annual general meetings of shareholders, the shareholders will be provided with all requested information, unless this is contrary to an overriding interest of the Company. If this should be the case, the Management Board and Supervisory Board will provide their reasons for not providing the requested information.

Furthermore, the Investor Relations section on LyondellBasell's website provides links to information about LyondellBasell published or filed by LyondellBasell in accordance with applicable rules and regulations.

*Relationship with Institutional Investors*

LyondellBasell finds it important that its institutional investors participate in LyondellBasell's general meetings of shareholders. The Company believes that applying a record date and providing internet proxy voting are measures that should achieve high levels of participation at the meeting.

### 4.8 Takeover Directive; Anti-Takeover Provisions and Control

*General*

The EU Takeover Directive requires that certain listed companies must publish information providing insight into defensive structures and mechanisms which they apply. The relevant provision has been implemented into Dutch law by means of a decree of 5 April 2006. Pursuant to this decree, Dutch companies whose securities have been admitted to trading on an EU regulated market have to include information in their annual report which could be of importance for persons who are considering taking an interest in the company. The Company's shares are admitted to trading on the NYSE and not on any EU regulated markets.

According to provision 4.2.6 of the Code, we are required to provide a survey of our actual or potential anti-takeover measures, and to indicate in what circumstances it is expected that they may be used.

Accordingly, we have set out below a number of provisions in the Articles of Association that in a Dutch context technically are not necessarily considered to be anti-takeover measures, but which could restrict the ability of a controlling shareholder to effectively exercise control over the Company:

- As per article 12.4 of the Articles of Association, up to one-third (1/3) of the members of the Supervisory Board may be appointed by the Supervisory Board itself;

- As per article 12.2 of the Articles of Association, the General Meeting of Shareholders will appoint both the members of the Management Board and, subject to the above, the members of the Supervisory Board, upon the nomination of the Supervisory Board. Any such nomination with respect to the appointment of a Supervisory Board member shall, at the discretion of the Supervisory Board be binding. Such a binding nomination may be rendered non-binding by the General Meeting of Shareholders provided that a resolution to that effect shall be adopted by at least two-thirds (2/3) of the valid votes cast, such two-third (2/3) majority representing more than half of the issued share capital. In case of such a vote, the General Meeting of Shareholders will be free in its selection and appointment of a Supervisory Board member to fill the vacancy by means of a resolution adopted by at least two-thirds (2/3) of the valid votes cast, such two-third (2/3) majority representing more than half of the issued capital. If the votes cast in favor of such resolutions do not represent at least two-thirds of the issued share capital, a new meeting can be convened at which the relevant resolution can be adopted by absolute majority; and

- As per article 22.1 of the Articles of Association, the Articles of Association may only be amended by the General Meeting of Shareholders on the basis of a proposal thereto of the Management Board and subject to approval of the Supervisory Board.

In the event of a hostile takeover bid, in general the Supervisory Board and the Management Board reserve the right to use all powers available to them in the interests of the Company and its affiliated enterprise, taking into consideration the relevant interests of the Company's stakeholders.

### 4.9 Compensation of the Members of the Supervisory Board

The members of our Supervisory Board receive both equity and cash compensation for their service on the Supervisory Board and its committees. The Supervisory Directors' compensation is designed to provide a competitive package that will enable the Company to attract and retain highly skilled individuals with relevant experience. The equity awards granted to Supervisory Board directors are restricted stock units ("RSUs"). The equity grants are provided as a means to align the interests of our Supervisory Directors with those of shareholders, and to put a portion of their compensation at risk to the extent the Company's market value declines. Additionally, the granting of equity compensation to directors generally is considered a best practice for U.S. companies, and all of the Company's compensation peer groups offer equity compensation to their directors. The Company believes paying directors a portion of their compensation in equity is vital in order to remain competitive and to attract and retain the best individuals.

The Supervisory Board also believes that long-term ownership of shares is a best practice for its members. Therefore, the Company maintains Director Share Ownership Guidelines. These guidelines prohibit members of the Supervisory Board from selling shares they receive upon vesting of their equity unless they hold a number of shares that are valued at five times their annual cash retainer. Restricting sales of shares in this manner ensures that our Supervisory Directors are able to diversify their holdings if necessary for their individual circumstances but also are required to hold substantial amounts of our shares during their service on our board.

The 2017 Supervisory Board compensation program is set forth below. Our Articles of Association currently provide that the Supervisory Board may set its own compensation, as long as the aggregate compensation paid to any individual member does not exceed $2 million in any single year.

**<u>Annual Retainer</u>**

| | |
|---|---|
| Cash .................................................................. | $115,000 ($215,000 for Chairman of the Board) |
| RSUs .................................................................. | Valued at $170,000 ($310,000 for Chairman of the Supervisory Board) |

**<u>Committee Retainer</u>**

| | |
|---|---|
| Members .................................................................. | $10,000 ($15,000 for Audit Committee) |
| Chairs .................................................................. | $20,000 ($27,500 for Audit Chair) |

In addition to the retainers shown above, recognizing the time and effort international travel requires, we pay members of the Supervisory Board $5,000 for each intercontinental trip taken in performing their board service.

**4.10 Risk Management**

A certain degree of risk is inherent in our business (see Section 2.2, "Risk Factors," generally). Additionally, pursuing business strategies and objectives inevitably leads to taking risks. Risks can jeopardize strategies and objectives in various ways. Each type of risk we encounter is addressed in a manner and with the intensity that matches the nature and size of the risk in relation to the Company's risk appetite. The risk appetite is the total residual impact of risks that we are willing to accept in the pursuit of our objectives.

Effective risk management is a key factor for the Company realizing its business and strategic objectives. Risk areas with a low-risk appetite and thus a low acceptable residual risk require strong risk management and strong internal controls. The risk areas where we have a low-risk appetite include those relating to the safety of our employees, our assets, the environment and the communities in which we operate and those relating to legal and regulatory compliance.

The Management Board is responsible for ensuring that LyondellBasell complies with applicable legislation and regulations. It is also responsible for the financing of LyondellBasell and for managing the internal and external risks related to its business activities.

The establishment of our internal risk management and control system is based on the identification of external and internal risk factors that could influence the operational and financial objectives of the Company, and contains a system of monitoring, reporting, and operational reviews.

To help identify risks, LyondellBasell uses a formal risk management approach, consisting of a set of risks definitions which are discussed amongst senior management of LyondellBasell at least annually, as described below. Based on this risk assessment, actions are initiated to further enhance the Company's risk mitigation.

The disclosure of the risks that potentially could have a significant impact on the Company's strategy execution, operations or financial position is derived in part from LyondellBasell's internal risk assessment, comprising elements of the risk assessment model as mentioned in the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") report.

The Company publishes two annual reports in respect of the financial year ("2017 Annual Reports"): (i) a Statutory Annual Report in accordance with Dutch legal requirements in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations as adopted by the European Union and (ii) an Annual Report on Form 10-K in accordance with U.S. securities laws, based on the United States of America Generally Accepted Accounting Principles ("U.S. GAAP"). Both 2017 Annual Reports include risk factors that are specific to the petrochemical industry, LyondellBasell and ownership of its shares. LyondellBasell also provides sensitivity analyses by providing:

- a narrative explanation of its financial statements;
- the context within which financial information should be analyzed; and
- information about the quality, and potential variability, of LyondellBasell's earnings and cash flow.

In the "Statements of the Management Board" (included on pages 65 and 66 hereof), the Management Board addresses the Company's internal risk management and control systems.

We are required to conduct an evaluation, under the supervision and with the participation of our CEO and CFO, of the effectiveness of the Company's internal control over financial reporting and, based on that evaluation, conclude whether the Company's internal control over financial reporting was effective as of 31 December 2017, providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. PricewaterhouseCoopers LLP, the Company's independent registered accounting firm under U.S. securities rules and regulations also confirms the effectiveness of the Company's internal control over financial reporting in its Consent of Independent Registered Public Accounting Firm as included in our 2017 Annual Report on Form 10-K for the year ended 31 December 2017.

With respect to the process of drafting annual reports, LyondellBasell has guidelines for the lay-out and the content of its reports. These guidelines are primarily based on applicable laws. For the Statutory Annual Report, the Company follows the requirements of Dutch law and regulations, including preparation of the consolidated financial statements in accordance with IFRS and IFRIC interpretations as adopted by the European Union. For the Annual Report on Form 10-K, the Company applies the requirements of the U.S. Securities and Exchange Act of 1934, and prepares the financial statements included therein in accordance with U.S. GAAP.

LyondellBasell currently has a Disclosure Committee, consisting of various members of management from different functional areas within the Company. The Disclosure Committee reports to and assists the CEO and CFO in the maintenance, review and evaluation of disclosure controls and procedures. The Disclosure Committee's main responsibilities are to ensure compliance with applicable disclosure requirements arising under United States and applicable stock exchange rules. The Company's CEO and CFO receive reports from the Chairman of the Disclosure Committee on any material topics discussed in the meetings.

### Boards' Roles in Risk Oversight

The Management Board is responsible for the Company's risk profile and managing the day-to-day of risks to the Company. The Supervisory Board has broad oversight as it relates to risk management. In this oversight role, the Supervisory Board is responsible for satisfying itself that the risk management processes designed and implemented by the Company's management are functioning and that necessary steps are taken to foster a culture of risk-adjusted decision-making throughout the organization. The Company believes that its leadership structure is conducive to sound risk management, and that the Supervisory Board's involvement is appropriate to ensure effective oversight.

The primary means by which our Supervisory Board oversees our risk management structures and policies is through its regular communications with management. At each Supervisory Board meeting, executive officers are asked to report to the Supervisory Board and, when appropriate, specific committees. Additionally, other members of management and employees periodically attend meetings and present information. One purpose of these presentations is to provide direct communication between members of the Supervisory Board and members of management. The presentations provide the Supervisory Board with the information necessary to understand the risk profile of the Company, including information regarding the specific risk environment, exposures affecting the Company's operations and the Company's plans to address such risks. In addition to information regarding general updates to the Company's operational and financial condition, members of management report to the Supervisory Board about the Company's outlook and forecasts, and any impediments to meeting those or its pre-defined strategies generally. These direct communications allow the Supervisory Board to assess management's evaluation and management of the Company's day-to-day risks.

In carrying out its oversight responsibility, the Supervisory Board has delegated to individual Supervisory Board committees certain elements of its oversight function.

- The Audit Committee provides oversight of the integrity of the Company's financial statements; independent accountants' qualifications and independence; the performance of the Company's internal audit function, independent accountants and the Company's compliance program; and its system of disclosure and internal controls.

- The Compensation Committee oversees the Company's compensation programs to evaluate whether our programs and practices create excessive risks and determines whether any changes to those programs and practices are warranted.

- The Nominating & Governance Committee reviews policies and practices in the areas of corporate governance; considers the overall relationship of the Supervisory Board to the Company's management; and develops, reviews and recommends governance guidelines applicable to the Company.

- The Health, Safety, Environmental & Operations ("HSE&O") Committee reviews and monitors compliance with health, safety and environmental matters affecting the Company and provides oversight of the Company's technology and the execution of large capital projects and turnarounds. It discusses the Company's programs related to health, safety and environmental matters, safety and environmental incidents and statistics; and plans and initiatives to continuously improve HSE results.

- The Finance Committee provides oversight in connection with strategic transactions, including those that may impact our capital position, and reviews our tax strategy and planning. The Finance Committee also reviews our capital structure and capital allocation, the dividend policy, share repurchase programs, debt profile, and hedging strategies.

The Management Board oversees the risk management programs of the Company, including approving risk tolerances, evaluating whether they are aligned with the Company's strategic goals, and defining the overall risk profile of the Company. The Management Board has delegated to a Risk Management Committee the authorization to review and approve transactions that are in furtherance of the strategies as approved by the Management Board. The standing members of the Risk Management Committee include the Company's CEO, CFO and Chief Legal Officer. Through a variety of policies and procedures, business leaders are required to identify, monitor, mitigate and report on risks under the supervision of the Management Board, which requires risk management plans from each business segment.

The results of the risk management processes and updates on the material risks are reported to the Supervisory Board and its committees. In addition, the Audit Committee is responsible for ensuring that an effective risk assessment process is in place, and reports are made to the Audit Committee in accordance with New York Stock Exchange requirements.

**Risk Management and Control Systems**

The Management Board is primarily responsible for the design, implementation and operation of the Company's internal risk management and control systems. The purpose of these systems is to adequately and effectively manage the significant risks to which the Company is exposed. Such systems can never provide absolute assurance regarding achievement of corporate objectives, nor can they provide an absolute assurance that material errors, losses, fraud and the violation of laws or regulations will not occur.

To comply with our duties in the area of internal risk management and control systems, we have designed and implemented an enterprise risk management process.

An enterprise risk assessment is conducted annually in the first quarter incorporating the five business segments, manufacturing operations and the business support functions. In addition, group-level risks are assessed with corporate functions and executive leadership. The identification and assessment of enterprise risks is conducted in accordance with the LyondellBasell Enterprise Risk Management framework which is based on the COSO Enterprise Risk Management model.

All business and corporate risks are reviewed at business and executive leadership levels and risks assessed as significant are then reported to the Management Board, which is responsible for the design of the risk management process. After review by the Management Board the significant group-level risks are reported to the Supervisory Board, which is responsible for the oversight of the process.

Enterprise risks that are not reportable to the Management Board will continue to be assessed and managed at the business/functional level. Risks considered significant are those that could impair the company's ability to achieve its strategic objectives. A half-year update of the significant business risks reported during the annual enterprise risk assessment is conducted in the fourth quarter and reported to the Management Board for review.

The Company's significant risks, as identified in accordance with the described process, are assigned to a member of the executive leadership team, who is responsible for analyses and mitigation activities related to his assigned risks. In addition, the Audit Committee of the Supervisory Board is responsible for ensuring that an effective risk assessment process is in place, and quarterly reports are made to the Audit Committee on financial and compliance risks in accordance with requirements of the New York Stock Exchange.

We use various other measures to ensure compliance with our duties in the area of internal risk management and control systems, including:

- operational review meetings of the Management Board with LyondellBasell's senior management on financial performance and realization of operational objectives and responses to emerging issues;

- monthly meetings with LyondellBasell's Chief Executive Officer, Chief Financial Officer and senior finance management focusing on monthly financial figures and internal control evaluations;

- monthly and quarterly financial reporting, mainly to LyondellBasell's senior management;
- letters of representation that are signed by LyondellBasell's key personnel on a quarterly basis in which they confirm that for their responsible area and based upon their knowledge (i) an effective system of internal controls and procedures is maintained and (ii) the financial reports fairly present the financial position, results of operations and cash flows;
- assessments by LyondellBasell's Disclosure Committees with respect to the timely review, disclosure, and evaluation of periodic (financial) reports;
- discussions on process safety, product safety, environmental and security matters within our Management Board and the Health, Safety and Environmental Committee of the Supervisory Board;
- discussions on management letters and audit reports provided by the Company's internal and external auditors within our Management Board and Audit Committee of the Supervisory Board;
- corporate policies assigning responsibility for identification and management of risks;
- LyondellBasell's Code of Conduct;
- LyondellBasell's Financial Code of Ethics applicable to the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer;
- LyondellBasell's Ethics Hotline and whistleblower procedures; and
- LyondellBasell's Compliance programs and training, which facilitate the development of controls which will aid in prevention, deterrence and detection of fraud against LyondellBasell.

### 4.11 Audit of Financial Reporting

*Financial Reporting*

LyondellBasell has comprehensive internal procedures in place for the preparation and publication of Annual Reports, annual accounts, quarterly figures, and all other financial information. These internal procedures are frequently discussed in the Audit Committee and the Supervisory Board. The Disclosure Committee assists the Management Board in overseeing LyondellBasell's disclosure activities and ensures compliance with applicable disclosure requirements arising under U.S. and Dutch law and regulatory requirements.

The Audit Committee reviews and approves the external auditor's Audit Plan for the audits planned during the financial year. The Audit Plan also includes the activities of the external auditor with respect to their reviews of the quarterly results other than the annual accounts. These reviews are based on agreed upon procedures and are approved by the Audit Committee. The external auditor regularly updates the Audit Committee on the progress of the audits and other activities.

*Appointment, Role, Assessment of the Functioning of the External Auditor, and the Auditor's Fee*

In accordance with Dutch law, LyondellBasell's external auditor is appointed by the general meeting of shareholders and is nominated for appointment by the Supervisory Board upon advice from the Audit Committee and the Management Board. LyondellBasell's current external auditor is PricewaterhouseCoopers Accountants N.V.

("PwC"), and the Supervisory Board, on the recommendation of the Audit Committee, is proposing shareholders appoint PwC as its auditor to audit the 2017 Dutch statutory accounts at the Annual Meeting.

The Audit Committee reports annually to the Supervisory Board on the functioning of, and the developments in, the relationship with of the external auditor as required by the Dutch Corporate Governance Code.

So far, the external auditor has functioned to the satisfaction of both the Audit Committee and the Management Board.

Annually, the Management Board and the Audit Committee provide the Supervisory Board with a report on the relationship with the external auditor, including the required auditor independence. To determine the external auditor's independence, the relationship between the audit services and the non-audit services provided by the external auditor is important, as well as the rotation of the responsible lead audit partner every five years. Non-audit services (including tax fees and non-audit-related fees) performed by the external auditor comprised approximately two percent of the external auditor's services in 2016. Based on the proportion audit fees versus non-audit related fees, it was concluded and confirmed by the external auditor that the external auditor acts independently.

The external auditor will be present at the 2018 Annual Meeting to respond to questions, if any, from the shareholders about the auditor's report on the financial statements.

The Audit Committee, on behalf of the Supervisory Board, approves the remuneration of the external auditor as well as the non-audit services to be performed, after consultation with the Management Board and the CFO. It has been agreed among the members of the Supervisory Board and the Management Board that the Audit Committee has the most relevant insight and experience to be able to approve both items, and therefore the Supervisory Board has delegated these responsibilities to the Audit Committee.

In principle the external auditor attends all meetings of the Audit Committee, unless this is deemed not necessary by the Audit Committee. The findings of the external auditor are discussed at these meetings.

The Audit Committee reports on all issues discussed with the external auditor to the Supervisory Board, including the external auditor's report with regard to the audit of the annual accounts as well as the content of the annual accounts. In the audit report, the external auditor refers to the financial reporting risks and issues that were identified during the audit, internal control matters, and any other matters requiring communication under the auditing standards generally accepted in the Netherlands and in the United States.

*Internal Audit Function*

The internal audit function of LyondellBasell forms one of the key elements to address the topics of risk management and internal control over financial reporting as required under the Code and the Sarbanes-Oxley Act, respectively. To ensure the independence of this function, the Company's internal auditor reports to the Audit Committee. The external auditor and the Audit Committee are involved in drawing up the work schedule and audit scope of the internal auditor. The internal auditor regularly provides updates on its findings to the Audit Committee.

## 4.12 Statements of the Management Board

The Management Board is responsible for the preparation of the Annual Accounts and the Annual Report of LyondellBasell N.V. for the year ended 31 December 2017 in accordance with applicable Dutch law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

As required by Section 5:25C(2)(c) of the Dutch Financial Markets Supervision Act ('Wet op het financieel toezicht') and on the basis of the foregoing and the explanations contained in Section 4.7 "Risk Management," the Management Board confirms that to the best of its knowledge:

- the LyondellBasell N.V. 2017 Annual Accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of LyondellBasell N.V. and the entities included in the consolidation taken as a whole;

- the LyondellBasell N.V. 2017 Annual Report gives a true and fair view of the development and performance of LyondellBasell N.V. and the entities included in the consolidation taken as a whole as at 31 December 2017 and the state of the affairs during the financial year to which the report relates and describes the principal risks facing LyondellBasell N.V. and a discussion of the principal risks and uncertainties.

Based on the outcome of the measures described under Section 4.7, "Risk Management," and to the best of its knowledge and belief, the Management Board states that:

### Risk management and Control Systems, Reporting on Going-concern Basis

Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis, and the Annual Report disclose all material risks and uncertainties that are relevant regarding the expectation as to the continuity of LyondellBasell N.V. for the 12-month period after the date of issue of this Annual Report. The Annual Report provides sufficient insights into any important deficiencies in the effectiveness of the internal risk management and control systems that were detected during the 2017 financial year. The aforementioned systems provide reasonable assurance that the Annual Accounts do not contain any material errors.

### Evaluation of Disclosure Controls and Procedures

Employees within the Company, with the participation of our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in reports in accordance with International Financial Reporting Standards as adopted by the European Union that we file or submit to the Chamber of Commerce in The Netherlands, as amended, is recorded, processed, summarized and reported within the time periods specified in the Dutch Law, including ensuring that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our CEO and CFO have concluded that such disclosure controls and procedures were effective as of 31 December 2017, the end of the period covered by this annual report.

## Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting in our fourth fiscal quarter of 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The establishment of LyondellBasell's internal control and risk management systems is based on the identification of external and internal risk factors that could influence the operational and financial objectives of the Company and contains a system of monitoring, reporting and operational reviews. All material risk management activities have been discussed with the Audit Committee and the Supervisory Board.

**The Management Board**,

/s/ Bhavesh (Bob) V. Patel

/s/ Thomas Aebischer

/s/ Daniel Coombs

/s/ James Guilfoyle

/s/ Jeffrey A. Kaplan

London, 5 April 2018

# CONSOLIDATED FINANCIAL STATEMENTS

**LyondellBasell Industries N.V.**

## CONSOLIDATED STATEMENT OF INCOME

| Millions of U.S. Dollars, except per share data | Note | Year Ended 31 December 2017 | 2016 |
|---|---|---|---|
| Revenue | 5 | $ 34,592 | $ 29,283 |
| Cost of sales | 6 | 27,820 | 22,767 |
| Gross profit | | 6,772 | 6,516 |
| Selling costs | 6 | 263 | 260 |
| Administrative expenses | 6 | 680 | 602 |
| Other (income) expense, net | 10 | (33) | (115) |
| Operating profit | | 5,862 | 5,769 |
| Finance income | | 24 | 17 |
| Finance costs | 11 | (363) | (405) |
| Share of profit of investments accounted for using the equity method | 16 | 217 | 297 |
| Profit before income tax | | 5,740 | 5,678 |
| Income tax expense | 12 | (678) | (1,485) |
| Profit for the year | | $ 5,062 | $ 4,193 |
| **Attributable to:** | | | |
| Profit/(loss) attributable to | | | |
| - Owners of the Company | | $ 5,064 | $ 4,192 |
| - Non-controlling interests | | (2) | 1 |
| Total | | $ 5,062 | $ 4,193 |
| **Earnings per share:** | | | |
| - Basic | 13 | $ 12.70 | $ 9.99 |
| - Diluted | 13 | $ 12.70 | $ 9.97 |

The notes on pages 76 to 158 are an integral part of these Consolidated Financial Statements.

**LyondellBasell Industries N.V.**

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Year Ended 31 December | |
|---|---|---|---|
| **Millions of U.S. Dollars** | **Note** | **2017** | **2016** |
| Profit for the year | | $ 5,062 | $ 4,193 |
| **Other comprehensive income (expense), net of tax** | | | |
| ***Items that will not be reclassified subsequently to profit or loss:*** | | | |
| Remeasurements of post-employment benefits obligations | 27 | 104 | (122) |
| Tax on (benefit from) remeasurements of post-employment benefits obligations | 12 | (47) | 28 |
| | | 57 | (94) |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | |
| Unrealized gains (losses) on available-for-sale securities: | | 13 | 7 |
| Tax on (benefit from) available-for-sale securities: | 12 | 2 | (1) |
| | | 15 | 6 |
| Impact of cash flow hedges | 4 | (37) | (14) |
| Tax on (benefit from) cash flow hedges | 12 | 13 | 1 |
| | | (24) | (13) |
| Currency translation of foreign operations | | 97 | (8) |
| Tax on (benefit from) currency translation of foreign operations | 12 | 33 | 7 |
| | | 130 | (1) |
| Other comprehensive income (loss), net of tax | | 178 | (102) |
| Total comprehensive income | | $ 5,240 | $ 4,091 |
| Attributable to: | | | |
| - Owners of the Company | | $ 5,242 | $ 4,090 |
| - Non-controlling interests | | (2) | 1 |
| | | $ 5,240 | $ 4,091 |

The notes on pages 76 to 158 are an integral part of these Consolidated Financial Statements.

**LyondellBasell Industries N.V.**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### ASSETS

| Millions of U.S. Dollars | Note | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| Non-current assets: | | | |
| Intangible assets | 14 | $ 963 | $ 918 |
| Property, plant and equipment | 15 | 11,710 | 10,839 |
| Investments in associates and joint ventures | 16 | 1,364 | 1,292 |
| Deferred income tax assets | 26 | 131 | 180 |
| Derivative financial instruments | 19 | 26 | 296 |
| Trade and other receivables | 21 | 122 | 113 |
| Total non-current assets | | 14,316 | 13,638 |
| Current assets: | | | |
| Inventories | 20 | 4,215 | 3,534 |
| Trade and other receivables | 21 | 4,614 | 3,650 |
| Held-to-maturity securities | 19 | - - | 74 |
| Available-for-sale financial assets | 19 | 1,307 | 1,073 |
| Derivative financial instruments | 19 | 66 | 44 |
| Income tax receivable | | 29 | 13 |
| Cash and cash equivalents | 22 | 1,579 | 946 |
| Total current assets | | 11,810 | 9,334 |
| Total assets | | $ 26,126 | $ 22,972 |

The notes on pages 76 to 158 are an integral part of these Consolidated Financial Statements.

**LyondellBasell Industries N.V.**

**EQUITY AND LIABILITIES**

| Millions of U.S. Dollars | Note | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| Equity attributable to the owners of the Company: | 23 | | |
| Share capital | | $ 31 | $ 31 |
| Share premium | | 10,024 | 10,009 |
| Other reserves | | (1,093) | (1,271) |
| Retained earnings | | 15,342 | 11,691 |
| Treasury shares | | (15,749) | (14,945) |
| | | 8,555 | 5,515 |
| Non-controlling interests | 24 | 1 | 25 |
| Total equity | | 8,556 | 5,540 |
| Non-current liabilities: | | | |
| Borrowings | 25 | 8,619 | 8,473 |
| Deferred income tax liability | 26 | 1,691 | 2,212 |
| Retirement benefit obligations | 27 | 1,376 | 1,347 |
| Derivative financial instruments | 19 | 198 | 20 |
| Provisions | 29 | 187 | 220 |
| Accruals and deferred income | | 181 | 170 |
| | | 12,252 | 12,442 |
| Current liabilities: | | | |
| Trade and other payables | 28 | 4,145 | 3,501 |
| Income tax payable | | 954 | 769 |
| Borrowings | 25 | 88 | 616 |
| Derivative financial instruments | 19 | 82 | 33 |
| Provisions | 29 | 49 | 71 |
| | | 5,318 | 4,990 |
| Total liabilities | | 17,570 | 17,432 |
| Total equity and liabilities | | $ 26,126 | $ 22,972 |

The notes on pages 76 to 158 are an integral part of these Consolidated Financial Statements.

**LyondellBasell Industries N.V.**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Millions of U.S. Dollars | Note | Share Capital | Share Premium | Treasury Shares | Other Reserves | Retained Earnings | Equity Attributable to the Owners of the Company | Non-Controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2016 | | $ 31 | $ 10,007 | $ (12,086) | $ (1,169) | $ 8,894 | $ 5,677 | $ 24 | $ 5,701 |
| *Transactions with owners:* | | | | | | | | | |
| Shares purchased | 23 | - - | - - | (2,914) | - - | - - | (2,914) | - - | (2,914) |
| Dividends paid relating to 2016 | 23 | - - | - - | - - | - - | (1,395) | (1,395) | - - | (1,395) |
| Employees share-based payments: | | | | | | | | | |
| - Issuance of shares | | - - | (12) | 55 | - - | - - | 43 | - - | 43 |
| - Tax credits related to share-based awards | 12 | - - | 14 | - - | - - | - - | 14 | - - | 14 |
| Total transactions with owners | | 31 | 10,009 | (14,945) | (1,169) | 7,499 | 1,425 | 24 | 1,449 |
| *Comprehensive income for the period:* | | | | | | | | | |
| Profit/(loss) for the year | | - - | - - | - - | - - | 4,192 | 4,192 | 1 | 4,193 |
| Other comprehensive income/ (Expense): | | | | | | | | | |
| Financial derivatives | | - - | - - | - - | (13) | - - | (13) | - - | (13) |
| Available-for-sale securities | | - - | - - | - - | 6 | - - | 6 | - - | 6 |
| Remeasurements of post employment benefit obligations | 12/27 | - - | - - | - - | (94) | - - | (94) | - - | (94) |
| Currency translation differences | | - - | - - | - - | (1) | - - | (1) | - - | (1) |
| Total Comprehensive income/ (loss) for the period | | - - | - - | - - | (102) | 4,192 | 4,090 | 1 | 4,091 |
| Balance at 31 December 2016 | | $ 31 | $ 10,009 | $ (14,945) | $ (1,271) | $ 11,691 | $ 5,515 | $ 25 | $ 5,540 |

The notes on pages 76 to 158 are an integral part of these Consolidated Financial Statements.

**LyondellBasell Industries N.V.**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Millions of U.S. Dollars | Note | Share Capital | Share Premium | Treasury Shares | Other Reserves | Retained Earnings | Equity Attributable to the Owners of the Company | Non-Controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2017 | | $ 31 | $ 10,009 | $ (14,945) | $ (1,271) | $ 11,691 | $ 5,515 | $ 25 | $ 5,540 |
| *Transactions with owners:* | | | | | | | | | |
| Shares purchased | 23 | - - | - - | (845) | - - | - - | (845) | - - | (845) |
| Dividends paid relating to 2017 | 23 | - - | - - | - - | - - | (1,415) | (1,415) | - - | (1,415) |
| Employees share-based payments: | | | | | | | | | |
| - Issuance of shares | | - - | 14 | 41 | - - | - - | 55 | - - | 55 |
| - Tax credits related to share-based awards | 12 | - - | - - | - - | - - | 2 | 2 | - - | 2 |
| Purchase of non-controlling interest | | - - | 1 | - - | - - | - - | 1 | (22) | (21) |
| Total transactions with owners | | 31 | 10,024 | (15,749) | (1,271) | 10,278 | 3,313 | 3 | 3,316 |
| *Comprehensive income for the period:* | | | | | | | | | |
| Profit/(loss) for the year | | - - | - - | - - | - - | 5,064 | 5,064 | (2) | 5,062 |
| Other comprehensive income/ (expense): | | | | | | | | | |
| Financial derivatives | | - - | - - | - - | (24) | - - | (24) | - - | (24) |
| Available-for-sale securities | | - - | - - | - - | 15 | - - | 15 | - - | 15 |
| Remeasurements of post employment benefit obligations | 12/27 | - - | - - | - - | 57 | - - | 57 | - - | 57 |
| Currency translation differences | | - - | - - | - - | 130 | - - | 130 | - - | 130 |
| Total Comprehensive income/ (loss) for the period | | - - | - - | - - | 178 | 5,064 | 5,242 | (2) | 5,240 |
| Balance at 31 December 2017 | | $ 31 | $ 10,024 | $ (15,749) | $ (1,093) | $ 15,342 | $ 8,555 | $ 1 | $ 8,556 |

The notes on pages 76 to 158 are an integral part of these Consolidated Financial Statements.

**LyondellBasell Industries N.V.**

## CONSOLIDATED STATEMENT OF CASH FLOWS

| Millions of U.S. Dollars | Note | Year Ended 31 December 2017 | 2016 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit before income tax | | $ 5,740 | $ 5,678 |
| Adjustments for: | | | |
| Depreciation, amortization and impairments | 6 | 1,226 | 1,080 |
| Share based compensation | 8 | 55 | 38 |
| Finance cost, net | | 274 | 388 |
| Other (income) expense, net | 10 | (33) | (115) |
| Share of profit of investments accounted for using the equity method | 16 | (217) | (297) |
| Changes in working capital relating to: | | | |
| (Increase)/decrease in trade receivables | | (514) | (379) |
| (Increase)/decrease in inventories | | (535) | (338) |
| Increase/(decrease) in trade payables | | 133 | 384 |
| Other, net | | 258 | (110) |
| Cash generated from operations | | 6,387 | 6,329 |
| Interest paid | | (366) | (354) |
| Net income taxes paid | | (1,044) | (741) |
| Net cash from operating activities | | 4,977 | 5,234 |
| **Cash flows from investing activities:** | | | |
| Purchase of property, plant and equipment | | (1,547) | (2,243) |
| Payments for repurchase agreements | | (512) | (674) |
| Proceeds from repurchase agreements | | 381 | 685 |
| Purchases of held-to-maturity securities | | - - | (76) |
| Proceeds from sales and maturities of held-to-maturity securities | | 75 | - - |
| Purchase of available-for-sale securities | | (653) | (688) |
| Proceeds from sale and maturities of available-for-sale securities | 4 | 499 | 674 |
| Purchases of business, equity method investment and non-controlling interest | | (21) | (65) |
| Net proceeds from sale of business and equity method investments | 10 | 155 | 209 |
| Proceeds from settlement of net investment hedges | | 609 | 1,295 |
| Payments for settlement of net investment hedges | | (658) | (1,356) |
| Proceeds from disposal of assets | | 29 | - - |
| Interest received | | 14 | 9 |
| Dividends received from associates and joint ventures | 16 | 212 | 385 |
| Other, net | | (127) | (80) |
| Net cash used in investing activities | | (1,544) | (1,925) |

**LyondellBasell Industries N.V.**

| | | Year Ended 31 December | |
|---|---|---|---|
| **Millions of U.S. Dollars** | **Note** | **2017** | **2016** |
| **Cash flows from financing activities:** | | | |
| Repurchase of company ordinary shares | 23 | (866) | (2,938) |
| Repayments of borrowings | 25 | (1,000) | - - |
| Proceeds from borrowings | 25 | 990 | 807 |
| Costs Related to Repayment of Long-Term Debt | | (65) | - - |
| Payment of Equity and Debt Issuance Cost | | (8) | - - |
| Net proceeds from commercial paper | 25 | (493) | 177 |
| Dividends paid | 23 | (1,415) | (1,395) |
| Other, net | | (2) | - - |
| Net cash used in financing activities | | (2,859) | (3,349) |
| **Net increase (decrease) in cash and cash equivalents** | | 574 | (40) |
| Cash and cash equivalents at beginning of period | | 946 | 995 |
| Exchange rate differences | | 59 | (9) |
| Cash and cash equivalents at end of the period | 22 | $ 1,579 | $ 946 |

The notes on pages 76 to 158 are an integral part of these Consolidated Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General

LyondellBasell Industries N.V. is a limited liability company (*Naamloze Vennootschap*) incorporated under Dutch law by deed of incorporation dated 15 October 2009. Unless otherwise indicated, the "Company," "we," "us," "our" or similar words are used to refer to LyondellBasell Industries N.V. together with its consolidated subsidiaries ("LyondellBasell N.V.").

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. LyondellBasell Industries N.V.'s shares are listed on the New York Stock Exchange ("NYSE"). The address of our Principal executive offices is 4$^{th}$ Floor, One Vine Street, London, W1J0AH, The United Kingdom; our registered office address is Delftseplein 27E, 3013 AA Rotterdam, The Netherlands and is registered at the chamber of commerce under number 24473890; and our other Principal office is 1221 McKinney St., Suite 300 Houston, Texas, USA 77010.

The Consolidated Financial Statements for the year ended 31 December 2017 of LyondellBasell N.V. were approved for issue by both the Supervisory Board and the Management Board on 5 April 2018.

The Consolidated Financial Statements are subject to adoption by the Annual General Meeting of Shareholders on 1 June 2018.

### 2 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of Preparation and Consolidation**

The Consolidated Financial Statements of LyondellBasell N.V. have been prepared from the books and records of LyondellBasell Industries N.V. and its subsidiaries in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations as adopted by the European Union. Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. All inter-company transactions and balances have been eliminated in consolidation.

As the corporate financial information of LyondellBasell Industries N.V. is included in the Consolidated Financial Statements, the Corporate Statement of Income is presented in abbreviated format in accordance with Section 402, Book 2 of Dutch Civil Code.

The Consolidated Financial Statements have been prepared under the historical cost convention, as modified for the accounting of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. Consolidated financial information, including subsidiaries, associates and joint arrangements, has been prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

**New and Amended Standards Adopted**

We have applied the following standards and amendments for the first time for annual reporting period commencing 1 January 2017

*Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealized Losses* – this amendment clarifies the recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value and it had no material impact on our consolidated financial statements.

*Disclosure initiative – amendments to IAS 7* – this amendment required disclosure of changes in liabilities arising from financing activities, which has been adopted by our company and reflected in note *25 Borrowings*.

**New standards, amendments and interpretations issued but not effective for the financial year 2017 and we have not elected early adoption.**

*IFRS 9, Financial Instruments—IFRS 9,* issued in July 2014, replaces the guidance in *IAS 39, Financial Instruments: Recognition and Measurement,* and includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. This standard is effective for annual periods beginning on or after 1 January 2018. The standard was endorsed by the EU in November 2016. For equity securities, including those carried at cost without readily determinable market values, such will be recorded at fair value with changes recorded to the Statement of Income (FVTPL classification); this change had no material impact on our Consolidated Financial Statements. Debt securities, formerly classified as available-for-sale under IAS 39, will be recorded at fair value with changes recorded within Other Comprehensive Income (FVOCI classification) resulting in no change in accounting measurement or recognition for these securities. Regarding hedge accounting designations existing at the adoption date, documentation will be updated to conform to the new guidance; such update to the documentation will not require any rebalancing or discontinuance of these hedge accounting designations.

*IFRS 15, Revenue from Contracts with Customers including clarifications to IFRS 15—*IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. In April 2016, IASB issued amendments to IFRS 15 clarifying some of the requirements and providing additional transitional relief for companies that are implementing IFRS 15.

The standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The standard has been endorsed by the EU in September 2016, the guidance within *Clarifications to IFRS15* has been endorsed by the EU in October 2017.

We will adopt this standard as of 1 January 2018 following the modified retrospective method. We have completed any required changes to our systems and processes, including updating our internal controls. The adoption of this new guidance and amendments does not have a material impact on our Consolidated Financial Statements.

IFRS 16, *Leases—*IFRS 16 was issued in January 2016 and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases except for short term leases or if the underlying asset has a low value. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption is permissible if following the adoption of IFRS 15. For transition, entities may apply either the full or modified retrospective method. The standard has been endorsed by the EU in October 2017.

We are currently assessing the impact of this new guidance on our Consolidated Financial Statements via review of existing lease contracts and other purchase obligations that contain embedded lease features, which are generally classified as operating leases under the existing guidance. As at the reporting date, the Company has non-cancellable lease commitments which are disclosed in note 30 Contingencies and Commitments, however the Company has not yet assessed what adjustments if any are necessary to the operating lease commitments, therefore it is not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the group's profit or loss and classification of cash flows going forward.

All other standards, amendments and interpretations are not expected to materially impact our Consolidated Financial Statements.

### Goodwill

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

### Investments in Associates and Joint Arrangements

Investments in entities over which we have the right to exercise significant influence but not control are classified as associates. Arrangements under which we have contractually agreed to share control with another party or parties are joint arrangements. Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations that each investor has, rather than the legal structure of the joint arrangement. The Company has assessed the nature of its joint arrangements and determined that it has both joint operations and joint ventures.

Interests in associates and joint ventures are accounted for using the equity method. Under the equity method of accounting, the investment is initially recognized at cost and subsequently adjusted for our share of comprehensive income, dividends received and by loans of a long-term investment nature. Interests in joint operations are recognized by including our share of assets, liabilities, income and expenses on a line-by-line basis in accordance with our accounting policies. Unrealized gains and losses on other transactions between the Group and its associates and joint arrangements are eliminated to the extent of our interest in them.

At each reporting date, we determine whether there is any objective evidence of impairment of our investments in associates or joint ventures. If an impairment is indicated, we calculate the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognize the amount adjacent to Share of profit/(loss) of investments accounted for using the equity method in the Consolidated Statement of Income.

### Foreign Currency Translation

*Functional and presentation currency*—Items included in the financial information of each of LyondellBasell N.V.'s entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") and then translated to the U.S. dollar reporting currency through Other comprehensive income. The consolidated financial information is presented in U.S. dollars, which is our presentation currency.

*Transactions and balances*—Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Income, except when deferred in Other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Income within Finance costs. All other foreign exchange gains and losses are presented in the Consolidated Statement of Income within Other expense, net.

In the Consolidated Financial Statements, the results and financial position of all the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

2. Income and expenses for each income statement are translated at average exchange rates; and

3. All resulting exchange differences are recognized as a separate component within other comprehensive income (currency translation reserve).

**Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services rendered, stated net of discounts, returns and value added taxes. Substantially all of the Company’s revenue is derived from product sales. Revenues are recognized when sales are realized or realizable, and the earnings process is complete. Revenue from product sales is recognized when the price is fixed or determinable, collectability is reasonably assured, and the customer has an obligation to pay at the time of transfer of title and risk of loss to the customer, which usually occurs at the time of shipment. Revenue is recognized at the time of delivery if we retain the risk of loss during shipment.

**Segment Reporting**

Our operations are managed through five operating segments. Each of the operating segments is separately managed under a structure that includes senior executives who report directly to our Chief Executive Officer and discrete financial information for each of the segments is available. Our Chief Executive Officer uses the operating results of each of the five operating segments for performance evaluation and resource allocation and, as such, is the chief operating decision maker.

**Share-Based Compensation**

The Company grants stock-based compensation awards that vest over a specified period upon meeting certain service and performance criteria. The fair value of equity instruments issued to employees is measured on the grant date and is recognized over the vesting period. The fair value of stock options is determined using the Black-Scholes model. The fair value of performance share units is determined using a Monte Carlo model.

Contingent share awards are recognized ratably over the vesting period as a liability and re-measured, at fair value, at the balance sheet date.

### Leases

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. All other leases are operating leases. Lease payments for finance leases are apportioned to finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in Finance costs. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Operating lease payments are recognized as an expense over the lease term on a straight-line basis.

### Intangible Assets

*Intangible Assets*—Intangible assets primarily consist of emission allowances, various contracts (favorable utility contracts and licensing contracts), research and development and software costs.  These assets are amortized using the straight-line method over shorter of their estimated useful lives or the expected term of the contractual agreement.

*Research and development*—Costs incurred on development projects are recognized as intangible assets when it is probable that we will achieve economic benefits in the future, considering its commercial and technological feasibility, and costs can be measured reliably. Research expenditure and development expenditure that do not meet the aforementioned criteria are recognized as expense as incurred. Development costs that have a finite useful life and that have been capitalized are amortized on a straight-line basis over the period of expected useful life from the date that services can be offered. The expected useful life is generally 10 years.

Capitalized development projects are impaired if the recoverable amount falls below the carrying value of the related asset.

*Other intangible* assets—Costs associated with maintaining computer software programs are recognized as expense is incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the recognition criteria are met. The capitalized costs are amortized over the estimated useful life, which is between 3 and 10 years.

### Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Costs may also include borrowing costs incurred on debt during construction of major projects exceeding one year, costs of major maintenance arising from turnarounds of major units when it is probable that there is an associated future economic benefit, and committed decommission costs. Routine maintenance and repair costs are expensed as incurred. Land is not depreciated.

Depreciation is computed using the straight-line method over the estimated useful asset lives to their residual values, generally as follows:

- 25 years for major manufacturing equipment
- 30 years for buildings
- 5 to 20 years for light equipment and instrumentation
- 15 years for office furniture
- 4 to 7 years for turnarounds of major units, and
- 3 to 5 years for information system equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Upon retirement or sale, we remove the cost of the asset and the related accumulated depreciation from the accounts and reflect any resulting gain or loss in the Consolidated Statement of Income.

**Impairments of Non-Financial Assets**

Assets that have an indefinite useful life, including goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) which for the Company is generally at the plant group level (or, at times, individual plants in certain circumstances where we have isolated production units with separately identifiable cash flows). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

**Offsetting Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**Derivative Financial Instruments and Hedging Activities**

Pursuant to our risk management policies, we selectively enter into derivative transactions to manage volatility related to market risks associated with changes in commodity pricing, currency exchange rates and interest rates. Derivatives used for this purpose are generally designated as net investment hedges, cash flow hedges or fair value hedges. 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 designated as net investment hedges and cash flow hedges, the effective portion of the gains and losses is recorded in Other comprehensive income (loss). The ineffective portion of net investment hedges and cash flow hedges is 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. All financial instruments are measured at amortized cost or fair value.

Derivatives are initially recognized at fair value on the inception date and are subsequently re-measured at fair value as of each reporting date. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

a. hedges of the fair value of recognized assets or liabilities (fair value hedge); or

b. hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or

c. hedges of a net investment in a foreign operation (net investment hedge).

At the inception of the transaction, the Company documents the relationship between the hedging instrument and the hedged item, its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative that is used in the hedging transaction is highly effective in offsetting changes in the fair value or cash flow of the hedged item.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 19. The full fair value of the derivatives is classified as a non-current asset or liability if the remaining maturity of the derivative is more than 12 months and as a current asset or liability if the remaining maturity is less than 12 months.

(a) Fair value hedge

Our fair value hedges consist of fixed for floating interest rate swaps. 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 a derivative that is designated and qualifies as a fair value hedge are recorded in the Consolidated Statement of Income, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. The Company applies fair value hedge accounting for hedging the changes in fair value of fixed rate borrowings. The gain or loss relating to the effective and ineffective portion of interest rate swaps hedging fixed rate borrowings is recognized in the Consolidated Statement of Income in Finance costs. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognized in the Consolidated Statement of Income in Finance costs.

We evaluate the effectiveness of the hedging relationship quarterly and calculate the changes in the fair value of the derivatives and the underlying hedged items separately, if the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

(b) Cash flow hedge

Our cash flow hedges include forward starting interest rate swaps and commodity swaps.

For our commodity swaps, 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 monthly. We use the dollar offset method under the hypothetical derivative method to measure ineffectiveness.

For our forward starting interest rate swaps, 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.

The effective portion of changes in the fair value of a derivative that is designated and qualifies as cash flow hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Income in Other (income) expense, net.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecasted sale that is hedged takes place). The gain or loss relating to the ineffective portion of interest rate swaps hedging variable rate borrowings is recognized in the Consolidated Statement of Income in Finance income/costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in the Consolidated Statement of Income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Income in Other (income) expense, net.

(c) Net investment hedge

Our net investment hedges include foreign currency derivatives and foreign-currency denominated debt. Our foreign currency derivative contracts currently consist of basis swap contracts and forward exchange contracts.

For our basis swaps, 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 of our basis swap contracts at least on a quarterly basis over an observation period of three years, utilizing data that is relevant to the hedge duration. We use the forward method to measure ineffectiveness.

For our forward exchange contracts and our euro denominated notes payable, we use the critical terms match to assess both prospective and retrospective hedge effectiveness by comparing the spot rate change in the hedging instrument and the spot rate change in the designated net investment. We use the hypothetical derivative method to measure hedge ineffectiveness.

Cash flows related to our foreign currency contracts designated as net investment hedges are reported in Cash flows from investing activities in the Consolidated Statement of Cash Flows. Cash flows related to our foreign currency denominated debt designated as net investment hedges are reported in Cash flows from financing activities and related interest payments are reported in Cash flows from operating activities in the Consolidated Statement of Cash Flows.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in Other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

### Fair Value Measurement

We categorize assets and liabilities, measured at fair value, into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or our assumptions about pricing by market participants.

When available, quoted market prices are used to determine fair value and such measurements are classified within Level 1. In some cases where market prices are not available, observable market-based inputs are used to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon internally-developed models that use, where possible, current market-based parameters such as interest rates, yield curves and currency rates. These measurements are classified within Level 3.

Fair value measurements are classified according to the lowest level input or value-driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be significant inputs that are readily observable.

*Changes in fair value levels*—Management reviews the disclosures regarding fair value measurements annually at year end. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified as Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3.

The fair value of all non-derivative financial instruments included in Current assets described below, 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. Current assets include Cash and cash equivalents, Restricted cash, held-to-maturity time deposits and Accounts receivable.

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

Basis Swaps—The fair value of our basis swap contracts is calculated using the present value of future cash flows discounted using observable inputs such as known notional value amounts, yield curves, and spot and forward exchange rates.

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 and future 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.

Forward Exchange Contracts—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 or the net asset value for limited partnership investments provided by the fund administrator.

Our limited partnership investments are disclosed as Level 1 and Level 2 in the fair value hierarchy. Our level 1 valued fund is actively traded based on the current day published NAV (net asset value). The published NAV represents the exit price for a unit in the fund.

The value of our other two limited partnership funds is based on their monthly published NAV. which is available to market participants. The funds have a 60 and 90 day redemption feature, respectively, whereby the exit price is the NAV 60 or 90 days after the redemption request. The historic 90 day liquidity risk (volatility of the NAV over the maximum redemption period), which is considered to be an unobservable input, has an immaterial impact on the published NAV. Therefore, the funds have been determined to be level 2 in the fair value hierarchy

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 current market 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.

### Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first in, first out (“FIFO”) method. The cost of finished goods and work in progress comprises directly attributable costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

### Current Trade Receivables

Current trade receivables are initially recognized at fair value and subsequently measured at amortized cost, which generally corresponds to face value, less an adjustment for bad debt.

## Cash Equivalents

Cash equivalents consist of highly liquid debt instruments such as certificates of deposit, commercial paper and money market accounts. Cash equivalents include instruments with maturities of three months or less when acquired. Bank overdrafts are shown within Borrowings in current liabilities on the balance sheet. Cash equivalents are stated at cost, which approximates fair value. Cash and cash equivalents exclude restricted cash. Our cash equivalents are placed in certificates of deposit, high-quality commercial paper and money market accounts with major international banks and financial institutions.

## Borrowings

Borrowings are initially recognized at the fair value of the proceeds received, net of transaction costs. Subsequently, borrowings are stated at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium. Interest expense on outstanding borrowings are accrued and recorded each period in the Consolidated Statement of Income.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

## Income Taxes

The income tax for the period comprises current and deferred tax. Income tax is recognized in the Consolidated Statement of Income, except to the extent that it relates to items recognized in Other comprehensive income or directly in equity. In these cases, the applicable tax amount is recognized in Other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect to previous years. Management evaluates positions with respect to applicable tax regulation which is subject to interpretation. The Company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the net tax effects of net operating loss carryforwards, using the liability method. Deferred income taxes are measured at the tax rates and under the tax laws that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax assets are realized or the deferred tax liabilities are settled. At 31 December 2017 the remeasurement of our deferred tax balances was materially affected by the U.S. enactment of "H.R.1," also known as the "Tax Act", as explained on Notes 12 and 26 to the Consolidated Financial Statements.

Deferred tax assets, including assets arising from losses carried forward, are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

### Employee Benefits

*Pension plans*—We have both defined benefit (funded and unfunded) and defined contribution plans. For the defined benefit plans, a defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Pension costs primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year, the net interest expense (income) that is calculated as the product of the net defined benefit liability (asset) and the discount rate determined at the end of the year and employees past-service costs.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity and are reflected in other comprehensive income in the period in which they arise.

For defined contribution plans, we pay contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expense when they are due.

*Other post-employment obligations*—Certain employees are entitled to post-retirement medical benefits upon retirement. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans.

*Termination benefits*—Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. We recognize termination benefits when we are committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

### Trade and Other Payables

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost, which generally corresponds to face value.

### Other Provisions

Provisions are recognized when all of the following conditions are met:

- there is a present legal or constructive obligation as a result of past events;
- it is probable that a transfer of economic benefits will settle the obligation; and
- a reliable estimate can be made of the amount of the obligation. The probable amount required to settle long-term obligations is discounted if the effect of discounting is material. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest costs.

*Asset Retirement Obligation*—At some sites, we are contractually obligated to decommission our plants upon site exit. These obligations are recorded at their fair value at the time the obligation is incurred. Upon initial recognition of the liability, that cost is capitalized as part of the related long lived asset and depreciation is recognized on a straight line basis over the useful life of the related asset. Accretion expense in connection with the discounted liability is also recognized over the useful life of the related asset. Such accretion expenses are included in Finance costs.

### Share capital

Ordinary shares are classified as equity. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction cost and the related income tax effects, is included in equity attributable to the company's equity holders.

## 3 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the period as well as the information disclosed.

### Critical Accounting Estimates and Assumptions

For our critical accounting estimates and assumptions, reference is made to the notes to these Consolidated Financial Statements, including the determination of deferred tax assets for loss carry forwards and the provision for tax contingencies (see Notes 12 and 26), the determination of fair value and the value of cash-generating units for use in goodwill impairment testing (see Note 14), the depreciation rates for property, plant and equipment (see Note 15) and intangible assets (see Note 14), the discount rate used to determine the provision for retirement benefit obligations and periodic pension cost (see Note 27) and the more likely than not assessment required to determine if a provision should be recognized and measured (see Notes 29 and 30).

Also, reference is made to Note 4 Financial Risk Management, which discusses our exposure to credit risk and financial market risks.

Actual results in the future may differ from these estimates. Management estimates and judgments are continually evaluated based on historic experience and other factors, including expectations of future events believed to be reasonable under the circumstances.

### Critical Accounting Judgments in Applying LyondellBasell N.V.'s Accounting Policies

*Property, plant and equipment and intangible assets*—With respect to property, plant and equipment and intangible assets, key assumptions included estimates of useful lives and the recoverability of carrying values of fixed assets and other intangible assets, as well as the existence of any obligations associated with the retirement of fixed assets. Such estimates could be significantly modified and/or the carrying values of the assets could be impaired by such factors as new technological developments, new chemical industry entrants with significant raw material or other cost advantages, uncertainties associated with the European, U.S. and other world economies, the cyclical nature of the chemical and refining industries, and uncertainties associated with regulatory governmental actions.

*Goodwill*—Goodwill represents the tax effect of the differences between the tax and book bases of our assets and liabilities resulting from the revaluation of those assets and liabilities to fair value in connection with the Company's acquisition of LyondellBasell Subholdings B.V. and LyondellBasell Finance Company on 30 April 2010. We evaluate the recoverability of the carrying value of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying amount of the goodwill of a group of cash generating units may not be fully recoverable.

*Capitalization of research and development costs*—We incur research and development costs associated with developing catalyst systems, polymers and chemicals. Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Our intention to complete and our ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to reliably measure the expenditure during development

Significant judgments are required to determine the status of the projects and whether or not the relevant development should be capitalized. A determination is made as to whether or not the projects have progressed from a "research" phase into a "development" phase; and the timing of when the criteria outlined above can be clearly demonstrated.

*Joint Arrangements*—We are a party to several joint arrangements. The Company has joint control over these arrangements as unanimous consent is required from all parties to the agreements to direct the activities that significantly affect the returns of the arrangement, such as annual production budgets, capital expenditures, incurrence of indebtedness, election of key management team members, approval of pricing policies and admission of new parties.

The classification of these joint arrangements as either a joint operation or a joint venture is driven by the rights and obligations of the parties arising from the arrangement rather than the legal form of the arrangement.

The Company's joint ventures are structured as limited companies and provide the Company and the parties to the agreements with rights to the net assets of the limited companies under the arrangements. The parties are not substantially the only source of cash flows contributing to the continuity of the operations of the joint venture.

The output of the Company's joint operations is for the sole use of the parties to the joint arrangement. The parties are substantially the only source of cash flows contributing to the continuity of the operations of the joint operation.

*Employee Benefits*—Our costs for long-term employee benefits, particularly pension and other postretirement medical and life insurance benefits, are incurred over long periods of time, and involve many uncertainties over those periods.

The current benefit service costs, as well as the existing liabilities, for pensions and other postretirement benefits are measured on a discounted present value basis. The discount rate is a current rate, related to the rate at which the liabilities could be settled. Our assumed discount rate is based on yield information for high-quality corporate bonds.

The benefit obligation and the periodic cost of other postretirement medical benefits also are measured based on assumed rates of future increase in the per capita cost of covered health care benefits.

*Accruals for Taxes Based on Income*—The determination of our provision for income taxes and the calculation of our tax benefits and liabilities is subject to management's estimates and judgments due to the complexity of the tax laws and regulations in the tax jurisdictions in which we operate. Uncertainties exist with respect to interpretation of these complex laws and regulations.

## 4 Financial Risk Management

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.

### Commodity Price Risk

A substantial portion of our products and raw materials are commodities whose prices fluctuate as market supply and demand fundamentals change. Accordingly, product margins and the level of our profitability tend to fluctuate with changes in the business cycle. We try to protect against such instability through various business strategies. These include provisions in sales contracts allowing us to pass on higher raw material costs through timely price increases, formula price contracts to transfer or share commodity price risk, and increasing the depth and breadth of our product portfolio.

In addition, we selectively use commodity swap and futures contracts with various terms to manage the volatility related to raw materials and product purchases and sales. Such contracts are generally limited to durations of one year or less. Market risks created by these derivative instruments and the mark-to-market valuations of open positions are considered by management prior to execution and monitored daily.

We also have commodity swaps designated as cash-flow hedges to manage the volatility of the commodity price related to anticipated purchases of raw materials. We enter into over-the-counter commodity swaps with one or more counterparties whereby these commodity swaps require us to pay a predetermined fixed price and receive a price based on the average monthly forward rate of a specified index for the specified nominated volumes.

The ineffectiveness recorded for these hedging relationships were less than $1 million during each of the years ended 31 December 2017 and 2016.

As of 31 December 2017, $8 million (on a pretax basis) is scheduled to be reclassified as a decrease to cost of sales over the next twelve months.

The estimated fair value and notional amounts of our open commodity futures contracts and swap contracts are shown in the table below:

| | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | | Notional Amounts | | | |
| **Millions of U.S. Dollars** | **Fair Value** | **Value** | **Volumes** | **Volume Unit** | **Maturity Dates** |
| Futures and swaps not designated as hedges: | | | | | |
| Heating oil | $ (1) | $ 8 | 4 | million gallons | January 2018- February 2018 |
| Crude oil | 16 | 48 | 35 | million gallons | January 2018- March 2018 |
| Gasoline | (15) | 9 | 40 | million gallons | January 2018- February 2018 |
| Naphtha | 2 | 57 | 100 | million kilograms | January 2018 |
| Swaps designated as cash-flow hedges: | | | | | |
| Ethane | (8) | 102 | 375 | million gallons | January 2018-December 2019 |
| | $ (6) | $ 224 | | | |

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | | Notional Amounts | | | |
| | **Fair Value** | **Value** | **Volumes** | **Volume Unit** | **Maturity Dates** |
| Futures and swaps not designated as hedges: | | | | | |
| Heating oil | $ 1 | $ 20 | 12 | million gallons | February 2017 |
| Crude oil | (1) | 30 | 23 | million gallons | February- March 2017 |
| Naphtha | 1 | 48 | 100 | million gallons | January 2017 |
| Swaps designated as cash-flow hedges: | | | | | |
| Ethane | 3 | 58 | 184 | million gallons | January 2017-December 2019 |
| | $ 4 | $ 156 | | | |

We use value at risk (“VAR”), stress testing and scenario analysis for risk measurement and control purposes.

VAR estimates the maximum potential loss in fair market values, given a certain move in prices over a certain period of time, using specified confidence levels.

Using sensitivity analysis and hypothetical changes in market prices ranging from 9% to 13%, which represents a three month volatility range of the underlying products, the effect on our pretax income would be approximately $1 million. The quantitative information about market risk is necessarily limited because it does not take into account the effects of the underlying operating transactions.

## Foreign Exchange Risk

We manufacture and market our products in many countries throughout the world and, as a result, are exposed to changes in foreign currency exchange rates.

A significant portion of our reporting entities use the euro as their functional currency. Our reporting currency is the U.S. dollar. The translation gains or losses that result from the process of translating the euro denominated financial statements to U.S. dollars are deferred in OCI until such time as those entities may be liquidated or sold. Changes in the value of the U.S. dollar relative to the euro can therefore have a significant impact on comprehensive income.

Some of our operations enter into transactions that are not denominated in their functional currency. This results in exposure to foreign currency risk for financial instruments, including, but not limited to third party and inter-company receivables and payables and inter-company loans.

We maintain risk management control systems intended to monitor foreign currency risk attributable to inter-company and third party outstanding foreign currency balances. These practices involve the centralization of our exposure to underlying currencies that are not subject to central bank and/or country specific restrictions. By centralizing most of our foreign currency exposure into one subsidiary, we are able to take advantage of any natural offsets thereby reducing the overall impact 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 31 December 2017 these foreign currency contracts will mature in January 2018, its aggregated notional amount amounted to $1,014 million and its fair value was a liability of $11 million. A 10% fluctuation compared to the U.S. dollar would have had a resulting additional impact to earnings of approximately $10 million.

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 Statement of Income, are offset in part by the currency translation results recognized on the assets and liabilities.

Our policy is to maintain an approximately balanced position in foreign currencies to minimize exchange gains and losses arising from changes in exchange rates. To minimize the effects of our net currency exchange exposures, we enter into foreign currency spot and forward contracts and, in some cases, cross-currency swaps. This position is monitored routinely.

At 31 December 2017, a 10% fluctuation compared to the U.S. dollar in the underlying currencies that have no central bank or other currency restrictions related to non-hedged monetary net assets would result in an additional impact to earnings of approximately $2 million.

*Net Investment hedges*—We enter into foreign currency contracts and foreign currency denominated debt to reduce the volatility in stockholders' equity resulting from changes in currency exchange rates of our foreign subsidiaries with respect to the U.S. dollar.

In 2017 and 2016, we entered into €617 million and €275 million, respectively of foreign currency contracts that designated as net investment hedges. In 2017 and 2016, foreign currency contracts with an aggregate notional value of €550 million and €1,200 million, respectively, expired. Upon settlement of these foreign currency contracts in 2017, we paid €550 million ($658 million at the expiry spot rate) to our counterparties and received $609 million from our counterparties. In 2016, we paid €1,200 million ($1,356 million at the expiry spot rate) to our counterparties and received $1,295 million from our counterparties.

In 2016, we also issued euro denominated notes payable due 2022 (“Euro notes”) with notional amounts totaling €750 million that designated as a net investment hedge.

At 31 December 2017 and 31 December 2016, we had outstanding foreign currency contracts with an aggregate notional value of €742 million ($789 million) and €675 million ($743 million), respectively, designated as net investment hedges. In addition, at 31 December 2017 and 31 December 2016, we had outstanding foreign-currency denominated debt, with notional amounts totaling €750 million ($899 million) and €750 million ($791 million), designated as a net investment hedge.

There was no ineffectiveness recorded for any of these net investment hedging relationships for the years ended December 31, 2017 and 2016.

*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 not been designated as 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. Each reporting period, the swaps are marked to market to arrive at their fair value. The resulting gains and losses are classified as Other (income) expense, net.

Cross-currency swaps with a notional value of $2,300 million are outstanding as at 31 December 2017 and these foreign currency contracts matured from 2021 to 2027 and its fair value was a liability of $4 million. A 10% fluctuation compared to the U.S. dollar would have had a resulting additional impact to earnings of approximately $265 million. Finance costs in the Consolidated Statement of Income reflected gains of $266 million and a loss of $71 million for the periods ended 31 December 2017 and 2016, respectively, related to changes in currency exchange rates and cross-currency swaps.

**Interest Rate Risk**

Interest rate risk management is viewed as a trade-off between cost and risk. The cost of interest is generally lower for short-term debt and higher for long-term debt, and lower for floating rate debt and higher for fixed rate debt. However, the risk associated with interest rates is inversely related to the cost, with short-term debt carrying a higher refinancing risk and floating rate debt having higher interest rate volatility. Our interest rate risk management strategy attempts to optimize this cost/risk/reward tradeoff.

We are exposed to interest rate risk with respect to our fixed and variable rate debt. Fluctuations in interest rates impact the fair value of fixed-rate debt as well as pretax earnings stemming from interest expense on variable-rate debt. To minimize earnings at risk, we target to maintain floating rate debt equal to our cash and cash equivalents, marketable securities and tri-party repurchase agreements, as those assets are invested in floating rate instruments. As part of our interest rate risk management strategy we also enter into interest rate swaps.

*Cash Flow Hedges*— A pre-issuance interest rate strategy is utilized to mitigate the risk that benchmark interest rates (i.e. US Treasury, mid-swaps, etc.) will increase between the time a decision has been made to issue debt and when the actual debt offering transpires. 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. At December 31, 2017, the total notional amount of these interest rate contracts designated as cash flow hedges was $1,000 million and its fair value was a liability of $41 million. We estimate that a 10% change in market interest rates as of December 31, 2017 would change the fair value of our forward-starting interest rate swap outstanding and would have had a resulting impact on Other comprehensive loss of approximately $47 million.

In 2017 and 2016, there was no settlement of our forward-starting interest rate swap agreements.

The ineffectiveness recorded for this hedging relationship was less than $1 million during the years ended 31 December 2017 and 2016.

As of 31 December 2017, less than $1 million (on a pretax basis) is scheduled to be reclassified as a decrease to interest expense over the next twelve months.

*Fair Value Hedges*—We use interest rate swaps 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-rate for floating-rate interest payments to effectively convert our fixed-rate debt to floating-rate debt.

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

In the third quarter of 2014, we entered into U.S. dollar fixed-for-floating interest rate swaps to mitigate changes in the fair value of our $2,000 million 5% senior notes due 2019. In March 2017, concurrent with the redemption of $1,000 million of our outstanding 5% senior notes due 2019, we de-designated the related $2,000 million fair value hedge and terminated swaps in the notional amount of $1,000 million. At the same time, we re-designated 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.

In 2016, we entered into U.S. dollar fixed-for-floating interest rate swaps to mitigate changes in the fair value of our $1,000 million 6% senior notes due 2021 associated with the risk of variability in the 1 Month USD LIBOR rate. The fixed and variable payments for the interest rate swaps related to our 6% senior notes due 2021 are settled semi-annually and monthly, respectively.

At 31 December 2017 and 31 December 2016, we had outstanding interest rate contracts with aggregate notional amounts of $3,000 million and $2,600 million respectively, designated as fair value hedges. Our interest rate contracts outstanding at 31 December 2017 mature from 2019 to 2027 and its fair value was a liability of $1 million.

We recognized a net loss of $16 million during the years ended 31 December 2017 and a net gain of $32 million for 31 December 2016, respectively, related to the ineffectiveness of our hedging relationships.

For the years ended 31 December 2017 and 2016, the pretax effect of the periodic receive fixed interest and pay variable interest associated with our fixed-for-floating interest rate swaps resulted in an additional gain (loss) recognized in interest expense of $23 million and $21 million, respectively.

At December 31, 2017, after giving consideration to the $3,000 million of fixed-rate debt that we have effectively converted to floating through these U.S. dollar fixed-for-floating interest rate swaps, approximately 66% of our debt portfolio, on a gross basis, incurred interest at a fixed-rate and the remaining 34% of the portfolio incurred interest at a variable-rate. We estimate that a 10% change in market interest rates as of 31 December 2017 would change the fair value of our interest rate swaps outstanding and affect our profit before income tax by approximately $29 million.

*Variable-rate debt*—Our variable rate debt consists of our $2,500 million Senior Revolving Credit Facility, our $900 million U.S. Receivables Securitization Facility and our Commercial Paper Program. At December 31, 2017, there were no outstanding borrowings under our Senior Revolving Credit Facility, U.S. Receivables Securitization facility or our Commercial Paper Program. We estimate that a 10% change in interest rates would have had a less than $1million impact on earnings.

## 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.

*Marketable Securities*—We invest cash in investment-grade securities for periods not exceeding three years. Investments in securities with original maturities of three months or less are classified as Cash and cash equivalents. At 31 December 2017 and 2016, we had marketable securities classified as Cash and cash equivalents of $1,035 million and $351 million, respectively.

We also have investments in marketable securities classified as available-for-sale and held-to-maturity. Investments classified as available-for-sale are carried at fair value with unrealized gains and losses recorded in other comprehensive income. Investments classified as held-to-maturity are carried at amortized cost. We periodically review our available-for-sale and held-to-maturity 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 receivable and are reflected in current Trade and other receivables or as long-term receivables reflected in noncurrent Trade and other receivables on our Consolidated Statement of Financial Position. The balance of our investment at 31 December 2017 and 2016 was $570 million and $369 million, respectively.

*Investments in Marketable Securities*—The following table summarizes the amortized cost, gross unrealized gains and losses, and fair value of our available-for-sale and held-to-maturity securities that are outstanding as of 31 December 2017 and 2016.

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

| **Millions of U.S. Dollars** | **31 December 2016** Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Available-for-sale securities | | | | |
| Commercial paper | $ 232 | $ - - | $ - - | $ 232 |
| Bonds | 141 | - - | - - | 141 |
| Certificates of deposit | 347 | 1 | - - | 348 |
| Limited partnership investments | 350 | 2 | - - | 352 |
| Total available-for-sale securities | $ 1,070 | $ 3 | $ - - | $ 1,073 |
| Held-to-maturity securities: | | | | |
| Time deposits | $ 74 | $ - - | $ - - | $ 74 |

Our limited partnership investments include investments in, among other things, equities and equity related securities, debt securities, credit instruments, global interest rate products, currencies, commodities, futures, options, warrants and swaps. These investments, which include both long and short positions, may be redeemed at least monthly with advance notice ranging up to ninety days. The fair value of these funds is estimated using the net asset value (NAV) per share of the respective pooled fund investment.

No losses related to other-than-temporary impairments of our available-for-sale and held-to-maturity investments have been recorded in other comprehensive loss during the year ended 31 December 2017 and the year ended 31 December 2016.

As of 31December 2017, our available-for-sale securities had the following maturities: commercial paper securities held by the Company had maturities between two and three months; bonds had maturities between four and thirty four months; certificates of deposit mature in three months; and limited partnership investments mature between one and three months.

The proceeds from maturities and sales of our available-for-sale securities during the years ended 31 December 2017 and 2016 are summarized in the following table.

| **Millions of U.S. Dollars** | **31 December** 2017 | 2016 |
|---|---|---|
| Proceeds from maturities of securities | $ 499 | $ 674 |

We recognized realized gains of less than $1 million in connection with the sale of securities during the years ended 31 December 2017. No gain or loss was realized in connection with the sale of our available-for-sale securities during the year ended 31 December 2016.

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

During the year ended 31 December 2017, we had maturities of our held-to-maturity securities of $75 million and had no transfers of investments classified as held-to-maturity to available-for-sale.

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 31 December 2017 and 2016.

| | 31 December 2017 | | | |
|---|---|---|---|---|
| | Less than 12 months | | Greater than 12 months | |
| **Millions of U.S. Dollars** | **Fair Value** | **Unrealized Loss** | **Fair Value** | **Unrealized Loss** |
| Available for sale securities: | | | | |
| Comercial Paper | $ 180 | $ - - | $ - - | $ - - |
| Bonds | 187 | - - | - - | - - |
| Limited partnership investments | 117 | (5) | - - | - - |
| Total | $ 484 | $ (5) | $ - - | $ - - |

| | 31 December 2016 | | | |
|---|---|---|---|---|
| | Less than 12 months | | Greater than 12 months | |
| **Millions of U.S. Dollars** | **Fair Value** | **Unrealized Loss** | **Fair Value** | **Unrealized Loss** |
| Available for sale securities: | | | | |
| Limited partnership investments | - - | - - | 105 | (3) |

### Capital Risk Management

Capital includes equity attributable to the equity holders of the parent. A discussion of credit risk can be found in Note 18.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new debt, repay debt, return capital to shareholders or issue new shares.

*Liquidity and Capital Resources*—As of 31 December 2017, we had unrestricted cash and cash equivalents of $1,579 million ($946 million in 2016). In addition at 31 December 2017, we had total unused availability under our credit facilities of $3,400 million ($2,710 million in 2016) and $1,307 million marketable securities classified as available-for-sale financial assets ($1,073 million in 2016). We also held $570 million of tri-party repurchase agreements classified as other receivables ($369 million in 2016).

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 the 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.

The table below provides a maturity analysis of our financial liabilities based on the remaining contractual maturities as of 31 December 2017.

| Millions of U.S. Dollars | Total obligations | Less than 1 year | Between 1 to 2 years | Between 2 to 5 years | Over 5 years |
|---|---|---|---|---|---|
| **31 December 2017** | | | | | |
| Borrowings (excluding finance lease liabilities) | $ 8,855 | $ 86 | $ 1,014 | $ 1,955 | $ 5,800 |
| Interest payment on total debt | 5,566 | 408 | 383 | 1,014 | 3,761 |
| Trade and other payables | 4,145 | 4,145 | - - | - - | - - |
| Commodity derivatives | 37 | 37 | - - | - - | - - |
| | $ 18,603 | $ 4,676 | $ 1,397 | $ 2,969 | $ 9,561 |

| Millions of U.S. Dollars | Total obligations | Less than 1 year | Between 1 to 2 years | Between 2 to 5 years | Over 5 years |
|---|---|---|---|---|---|
| **31 December 2016** | | | | | |
| Borrowings (excluding finance lease liabilities) | $ 9,293 | $ 614 | $ 11 | $ 3,047 | $ 5,621 |
| Interest payment on total debt | 5,470 | 321 | 321 | 963 | 3,865 |
| Trade and other payables | 3,501 | 3,501 | - - | - - | - - |
| Commodity derivatives | 1 | 1 | - - | - - | - - |
| | $ 18,265 | $ 4,437 | $ 332 | $ 4,010 | $ 9,486 |

### Fair Value Estimates

The following table summarizes financial assets and liabilities outstanding at 31 December that are measured at fair value on a recurring basis.

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| **Millions of U.S. Dollars** | **Notional Amount** | **Fair Value** | **Notional Amount** | **Fair Value** |
| **Assets -** | | | | |
| Derivatives designated as hedges: | | | | |
| Commodities | $ - - | $ - - | $ 58 | $ 3 |
| Foreign currency | - - | 1 | 754 | 31 |
| Interest Rates | 650 | 21 | 2,200 | 16 |
| Derivatives not designated as hedges | | | | |
| Commodities | 105 | 20 | 85 | 5 |
| Foreign currency | 2,019 | 50 | 2,300 | 285 |
| Non-derivatives: | | | | |
| Available-for-sale securities | 1,310 | 1,307 | 1,069 | 1,073 |
| | $ 4,084 | $ 1,399 | $ 6,466 | $ 1,413 |
| **Liabilities -** | | | | |
| Derivatives designated hedges | | | | |
| Commodities | $ 102 | 8 | $ - - | $ - - |
| Foreign currency | 789 | $ 115 | - - | - - |
| Interest Rates | 3,350 | 63 | 1,400 | 20 |
| Derivatives not designated hedges: | | | | |
| Commodities | 81 | 29 | 103 | 11 |
| Foreign Currency | 1,295 | 65 | 28 | 1 |
| Written Put option | - - | - - | 21 | 21 |
| | $ 5,617 | $ 280 | $ 1,552 | $ 53 |

All derivatives and available-for-sale securities in the table above are classified as Level 2, except for the following:

- Commodities with a Fair Value of $2 million as at 31 December 2017 (2016: $3 Million) is measured at Level 1.

- Available for sale securities with a Fair Value of $106 million as at 31 December 2017 (2016: $102 million) is measured at Level 1.

*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 31 December 2017 and 2016. Short-term and long-term loans receivable, which represent our repurchase agreements, and current and non-current borrowings are recorded at amortized cost in the Consolidated Statement of

Financial Position. The carrying and fair value of current and non-current borrowings exclude finance lease liabilities and commercial paper.

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| Millions of U.S. Dollars | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Non-derivatives: | | | | |
| Assets: | | | | |
| Short-term loans receivables | $ 570 | $ 570 | $ 369 | $ 369 |
| Liabilities | | | | |
| Current borrowings | $ 86 | $ 96 | $ 90 | $ 98 |
| Non-Current borrowings | 8,595 | 9,511 | 8,473 | 9,192 |
| Total | $ 8,681 | $ 9,607 | $ 8,563 | $ 9,290 |

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 years ended 31 December 2017 and 2016.

## 5 Revenue

| Millions of U.S. Dollars | 2017 | 2016 |
|---|---|---|
| Sale of goods | $ 34,187 | $ 28,853 |
| Rendering of services | 359 | 333 |
| License income | 46 | 97 |
| Total revenue | $ 34,592 | $ 29,283 |

Reference is made to Note 32 Segment Reporting for more information about revenues.

## 6 Expenses by Nature

| Millions of U.S. Dollars | Note | 2017 | 2016 |
|---|---|---|---|
| Change in inventories of finished goods and work in progress | | $ 506 | $ 238 |
| Raw materials and utilities | | 22,141 | 17,663 |
| Employee benefit expense | 7 | 2,397 | 2,239 |
| Depreciation, amortization, and impairment charges | 14/15 | 1,226 | 1,080 |
| Distribution expenses | | 1,278 | 1,278 |
| Other expenses | | 1,215 | 1,131 |
| Total cost of sales, selling costs, and administration expenses | | $ 28,763 | $ 23,629 |

## 7 Employee Benefit Expenses

| **Millions of U.S. Dollars** | **Note** | **2017** | **2016** |
|---|---|---|---|
| Wages and salaries | | $ 1,771 | $ 1,682 |
| Social security | | 285 | 278 |
| Share based compensation granted to directors and employees | 8 | 55 | 38 |
| Pension costs – defined benefit obligations | 27 | 113 | 103 |
| Pension costs – defined contribution obligations | | 68 | 49 |
| Other post-employment benefits – defined benefit obligations | 27 | 15 | 18 |
| Other employee benefits | | 90 | 71 |
| Total cost of employee benefits | | $ 2,397 | $ 2,239 |

## 8 Share-Based Compensation Granted to Directors and Employees

We are authorized to grant restricted stock units, stock options, performance share units, and other cash and stock awards under our Long-Term Incentive Plan ("LTIP"). The Compensation Committee determines the recipients of the equity awards, the type of awards, the required performance measures, and the timing and duration of each grant. The maximum number of shares of our common stock reserved for issuance under the LTIP is 22,000,000. As of 31December 2017, there were 5,806,969 shares remaining available for issuance assuming maximum payout for performance share units ("PSUs"). Upon share exercise or payment, shares are issued from our treasury shares.

Total share-based compensation expense and the associated tax benefits are as follows for the years ended 31 December:

| **Millions of U.S. Dollars** | **2017** | **2016** |
|---|---|---|
| Compensation expense: | | |
| Restricted stock units | $ 13 | $ 10 |
| Stock options | 7 | 7 |
| Qualified performance awards | - - | (3) |
| Performance share units | 35 | 24 |
| | $ 55 | $ 38 |
| Tax benefit: | | |
| Restricted stock units | $ 5 | $ 4 |
| Stock options | 2 | 2 |
| Qualified performance awards | - - | (1) |
| Performance share units | 12 | 8 |
| | $ 19 | $ 13 |

Beginning in 2017, we elected to recognize forfeitures as they occur for stock-based compensation.

*Restricted Stock Unit Awards* (*RSUs*)—RSUs generally entitle the recipient to be paid out an equal number of ordinary shares on the third anniversary of the grant date. RSUs, which are subject to customary accelerated vesting or forfeiture in the event of certain termination events, are accounted for as an equity award with compensation cost recognized in the Consolidated Statement of Income ratably over the vesting period.

In 2015, 190,399 RSUs were granted to the Chief Executive Officer and three other executive officers. These RSUs vest in annual tranches with 10% vested after one year and an additional 15% vested after two years and the remaining vesting in equal tranches after each of the third, fourth, and fifth years. Compensation cost for these awards is recognized using the graded vesting method.

The holders of all RSUs are entitled to dividend equivalents to be settled no later than 15 March, following the year in which dividends are paid, as long as the participant is in full employment at the time of the dividend payment. See the "Dividend Distribution" section of Note 23 for the per share amount of dividend equivalent payments made to the holders of RSUs during 2017 and 2016. Total dividend equivalent payments were $1 million for 2017 and 2016, respectively.

RSUs are valued at the market price of the underlying stock on the date of grant. The weighted average grant date fair value for RSUs granted during the years ended 31 December 2017 and 2016 was $91.14 and $79.77, respectively. The total fair value of RSUs vested during 2017 and 2016 was $8 million and $16 million, respectively.

The following table summarizes RSU activity for the years ended 31 December:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Number of Units (in thousands)** | **Weighted Average Grant Date Fair Value (per share)** | **Number of Units (in thousands)** | **Weighted Average Grant Date Fair Value (per share)** |
| Outstanding at 1 January | 295 | $ 79.03 | 398 | $ 65.80 |
| Granted | 205 | 91.14 | 128 | 79.77 |
| Vested | (95) | 78.97 | (188) | 51.44 |
| Forfeited | (28) | 85.20 | (43) | 79.42 |
| Outstanding at 31 December | 377 | $ 85.17 | 295 | $ 79.03 |

As of 31December 2017, the unrecognized compensation cost related to RSUs was $15 million, which is expected to be recognized over a weighted average period of 2 years.

*Stock Options*—Stock options are granted with an exercise price equal to the market price of our ordinary shares at the date of grant. The awards generally have a three-year vesting period that vests in equal increments on the first, second, and third anniversary of the grant date. The awards have a contractual term of ten years, subject to customary accelerated vesting or forfeiture in the event of certain termination events. The stock options are accounted for as equity awards with compensation cost recognized using the graded vesting method.

In 2015, 457,555 stock options were granted to the Chief Executive Officer and three other executive officers. These stock options vest in annual tranches with 10% vested after one year and an additional 15% vested after two years and the remaining vesting in equal tranches after each of the third, fourth, and fifth years.

The fair value of each stock option award is estimated, based on several assumptions, on the date of grant using the Black-Scholes option valuation model. The principal assumptions utilized in valuing stock options include the expected stock price volatility (based on our historical stock price volatility over the expected term); the expected dividend yield; and the risk-free interest rate (an estimate based on the yield of United States Treasury zero coupon bond with a maturity equal to the expected life of the option).

In 2010, when the majority of our options were granted, we did not possess exercise patterns similar to our situation. The option grants that have been made since 2010 have been limited in number and have occurred during periods of substantial share price volatility. As historical data about employees' exercise behavior is limited, the expected term of all options granted is an estimate based on a weighted average expected option life for the entire participant group. The resulting expected weighted average life of the options granted is the mid-point between the vesting date and the contractual term of the options.

Weighted average fair values of stock options granted in each respective year and the assumptions used in estimating those fair values are as follows:

| | 2017 | 2016 |
|---|---|---|
| Weighted average fair value: | $ 21.55 | $ 20.39 |
| Fair value assumptions: | | |
| Dividend yield | 4.0% | 3.0-4.0% |
| Expected volatility | 34.9-35.1% | 35.3-36.0% |
| Risk-free interest rate | 2.10-2.29% | 1.14-1.93% |
| Weighted average expected term, in years | 6.0 | 6.0 |

The following table summarizes stock option activity for the years ended 31 December 2017 and 2016 for the non-qualified stock options:

| | Number of Shares (in thousands) | Weighted Average Exercise Price | Weighted Average Remaining Term | Aggregate Intrinsic Value (Millions of Dollars) |
|---|---|---|---|---|
| Outstanding at 1 January 2016 | 780 | $ 73.15 | - - | $ - - |
| Granted | 328 | 78.89 | - - | - - |
| Exercised | (81) | 72.61 | - - | - - |
| Forfeited | (91) | 82.18 | - - | - - |
| Expired | (9) | 88.86 | - - | - - |
| Outstanding at 31 December 2016 | 927 | $ 74.19 | 7.6 years | $ 12 |
| Exercisable at 31 December 2016 | 253 | $ 58.29 | 5.2 years | $ 8 |
| Outstanding at 1 January 2017 | 927 | $ 74.19 | - - | $ - - |
| Granted | 313 | 92.73 | - - | - - |
| Exercised | (134) | 44.76 | - - | - - |
| Forfeited | (45) | 83.34 | - - | - - |
| Expired | (42) | 84.57 | - - | - - |
| Outstanding at 31 December 2017 | 1,019 | $ 82.93 | 7.6 years | $ 28 |
| Exercisable at 31 December 2017 | 324 | $ 78.47 | 6.3 years | $ 10 |

The range of exercise prices for options outstanding at the end of 31 December 2017 and 2016 was $13.11 to $113.03 and $12.61 to $113.03, respectively.

The aggregate intrinsic value of stock options exercised during the years ended 31 December 2017 and 2016 was $6 million and $1 million, respectively.

As of 31 December 2017, the unrecognized compensation cost related to non-qualified stock options was $5 million, which is expected to be recognized over a one-year period. During 2017, cash received from exercise of stock options was $6 million. There was $2 million tax benefit associated with these exercises.

*Performance Share Units (PSUs), Qualified Performance Awards (QPAs), Medium-Term Incentive Program (MTI)*— Shares issued in satisfaction of PSU and QPA awards are granted under our LTIP. The target number of share awards is established at the beginning of a three-calendar year performance period. Each unit is equivalent to one share of our common stock. Beginning in 2017, the final number of shares payable is determined based on LyondellBasell N.V.'s Total Shareholder Return (TSR) relative to a group of peer companies, and are classified as equity awards. Compensation expense during the three-calendar year performance period is accrued on a straight-line basis. PSUs are valued using a Monte-Carlo simulation payout value on grant date. These share awards are subject to customary accelerated vesting and forfeiture in the event of certain termination events.

PSU awards granted prior to 2017 and QPA awards are similar. The final number of shares payable related to pre-2017 PSUs and QPAs are determined at the end of the three-calendar year performance period by the Compensation Committee. Since the service-inception date precedes the grant date, these share awards are treated as a liability award until the grant date and compensation expense during the three-calendar year performance period is accrued on a straight-line basis subject to fair value adjustments. Pre-2017 PSU awards granted are valued based on the market price of the underlying stock on the date of payment.

Beginning 1 January 2016, the holders of PSUs are entitled to accrue dividend equivalent units. These dividend equivalent units will be converted to shares upon payment at the end of the three-year performance and are classified in Accrued and Other liabilities on the Consolidated Balance Sheets. PSU dividend equivalent units on liability awards are recorded in compensation expense while PSU dividend equivalent units on equity awards are recorded in retained earnings.

The following table summarizes PSU activity for the year ended 31 December 2017:

| | 2017 | |
|---|---|---|
| | **Number of Units (in thousands)** | **Weighted Average Grant Date Fair Value (per share)** |
| Outstanding at 1 January | - - | $ -- |
| Granted | 237 | 93.28 |
| Forfeited | (13) | 93.28 |
| Outstanding at 31 December | 224 | $ 93.28 |

The number of PSUs are based on the target number of share awards. The assumptions used in the Monte Carlo simulation to estimate the fair value of PSUs granted in 2017 are as follows:

| | 2017 |
|---|---|
| Expected volatility of LyondellBasell N.V. common stock | 30.98% |
| Expected volatility of peer companies | 16.98-39.89% |
| Average correlation coefficient of peer companies | 0.51 |
| Risk-free interest rate | 1.46% |

As of 31 December 2017, the unrecognized compensation cost related to PSUs and dividend equivalents assuming target payout was $27 million, which is expected to be recognized over a weighted average period of 2 years.

For grants made in 2013, eligible employees other than executive officers could elect to receive share-based awards (QPAs) or cash-based awards (MTI) while executive officers were only eligible for the share-based awards (QPAs). Awards under the MTI are accounted for as a liability and classified in Other liabilities on the Consolidated Balance Sheets. We recorded compensation expense for cash MTI awards of $1 million for the year ended 31 December 2016 based on the expected achievement of performance results.

The weighted average grant date fair for QPAs granted during the years ended 31 December 2016 was $77.93. The total fair value of QPAs vested during 2016 was $20 million.

*Employee Stock Purchase Plan*

We have an Employee Share Purchase Plan (“ESPP”) which includes a 10% discount and look-back provision. These provisions allow participants to purchase our stock at a discount on the lower of the fair market value at the beginning or end of the purchase period. As a result of the 10% discount and the look-back provision, the ESPP is considered a compensatory plan.

## 9 Remuneration of the Management Board and Supervisory Board Members

*Management Board Remuneration*

Management Board members receive salaries, annual bonuses, and grants of share-based awards under the Company’s Long Term Incentive Plan. The share-based awards include stock options, restricted stock units (RSUs) and performance share units (PSUs). These compensation amounts are recognized by the Company over the periods in which the awards are earned. Information on these awards can be found in Note 8, Share-Based Compensation Granted to Directors and Employees.

The following table summarizes the compensation expense recorded in our Financial Statements associated with the Management Board members for the years ended 31 December 2017 and 2016.

| Thousands U.S. Dollars | Salary | Share Based Compensation (1) | Short Term Incentives (2) | Pension Service Cost | All other Compensation (3) | Total |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| Bhavesh (Bob) V. Patel | $ 1,500 | $ 13,634 | $ 3,958 | $ 11 | $ 386 | $ 19,489 |
| Thomas Aebischer | 741 | 2,376 | 1,051 | 12 | 76 | 4,256 |
| Kevin W. Brown[A] | 98 | 720 | - - | 4 | 1,073 | 1,895 |
| Daniel Coombs | 645 | 1,612 | 969 | 12 | 71 | 3,309 |
| James Guilfoyle | 416 | 604 | 473 | 15 | 45 | 1,553 |
| Jeffrey A. Kaplan | 548 | 1,409 | 610 | 11 | 60 | 2,638 |
| **2016** | | | | | | |
| Bhavesh (Bob) V. Patel | $ 1,342 | $ 8,906 | $ 3,010 | $ 11 | $ 168 | $ 13,437 |
| Thomas Aebischer | 725 | 1,686 | 616 | 18 | 43 | 3,088 |
| Kevin W Brown | 580 | 1,398 | 587 | 12 | 52 | 2,629 |
| Daniel Combs | 590 | 664 | 639 | 11 | 52 | 1,956 |
| James Guilfoyle | 343 | 273 | 261 | 16 | 28 | 921 |
| Jeffrey A. Kaplan | 503 | 719 | 450 | 11 | 44 | 1,727 |
| Timothy D. Roberts[B] | 81 | 962 | 21 | 4 | 712 | 1,780 |

A. Departure on 17 February 2017.
B. Departure on 8 February 2016.

(1) Share Based compensation expense represents costs which are recognized over the vesting period of stock options, restricted stock units (RSUs) and performance share units (PSUs)

(2) For 2017 performance, the annual bonus payouts were based on corporate wide results. The corporate wide results are based on (i) health, safety and environmental performance; (ii) business results (earnings before interest, taxes, depreciation and amortization); and (iii) cost discipline. Finally, the annual bonuses were multiplied by a personal performance factor ranging from 0 to 1.5 to account whether the individual met his or her qualitative goals for the year. For 2017 performance, the corporate wide results paid out at 132% of target.

The personal performance factors for each member of the Management Board were as follows:

| | Personal Performance Factor |
|---|---|
| Mr. Patel | 1.4 |
| Mr.Aebischer | 1.0 |
| Mr. Coombs | 1.3 |
| Mr. Guilfoyle | 1.0 |
| Mr. Kaplan | 1.2 |

(3) Amounts included in "All Other Compensation" for 2017 in the table above include Company contributions to the defined contribution plans; matching contributions under the Company's Deferral Plan; executive physicals; payment of professional fees for tax filings; payment of business club membership and dues; financial planning allowances and tax reimbursements and a gross-up payment on the reimbursement. Items that exceed the greater of $25 or 10% of the total amount of perquisites include matching contributions under the Deferral Plan in the following amounts: Mr. Patel, $135; Mr. Aebischer, $44; Mr. Coombs, $41; Mr. Guilfoyle $16 and Mr. Kaplan, $30. Mr. Patel received $177 and Mr. Brown received $1,064 to reimburse for a settlement with the IRS relating to audits of the tax year 2012 for equity awards granted.

The following tables show the Management Boards' equity compensation activity during 2017:

Overview of stock options

| | | | **In 2017** | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Year of Issue** | **Out-Standing at 1 Jan 2017** | **Granted** | **Exercised** | **Forfeited/ Expired** | **Out-standing at 31 Dec 2017** | **Vested in 2017** | **Exercise price (USD)** | **Share price at exercise day (USD)** | **Expiration Date** |
| Bhavesh V. Patel | 2014 | 2,418 | - | - | - | 2,418 | 806 | 85.80 | | 02/20/2024 |
| | 2015 | 70,211 | - | - | - | 70,211 | 23,403 | 89.94 | | 02/17/2025 |
| | 2015 | 227,058 | - | - | - | 227,058 | 34,059 | 76.15 | | 01/12/2025 |
| | 2016 | 101,108 | - | - | - | 101,108 | 33,704 | 77.93 | | 02/16/2026 |
| | 2017 | - | 130,572 | - | - | 130,572 | - | 92.69 | | 02/16/2027 |
| Total | | 400,795 | 130,572 | - | - | 531,367 | 91,972 | | | |
| Thomas Aebischer | 2016 | 27,066 | - | - | - | 27,066 | 9,022 | 77.93 | | 02/16/2026 |
| | 2016 | 26,042 | - | - | - | 26,042 | 8,682 | 86.90 | | 01/01/2026 |
| | 2017 | - | 26,868 | - | - | 26,868 | - | 92.69 | | 02/16/2027 |
| Total | | 53,108 | 26,868 | - | - | 79,976 | 17,704 | | | |
| Kevin W. Brown | 2015 | 11,234 | - | - | 11,234 | - | - | 89.94 | | 02/17/2025 |
| | 2015 | 35,461 | - | - | 35,461 | - | - | 81.38 | | 01/21/2025 |
| | 2016 | 15,058 | - | 9,552 | 5,506 | - | 9,552 | 77.93 | 83.00 | 02/16/2026 |
| Total | | 61,753 | - | 9,552 | 52,201 | - | 9,552 | | | |

| | Year of Issue | Out-Standing at 1 Jan 2017 | In 2017 Granted | Exercised | Forfeited/ Expired | Out-standing at 31 Dec 2017 | Vested in 2017 | Exercise price (USD) | Share price at exercise day (USD) | Expiration Date |
|---|---|---|---|---|---|---|---|---|---|---|
| Daniel Coombs | 2015 | 4,871 | - | - | - | 4,871 | 1,623 | 101.10 | | 05/29/2025 |
| | 2016 | 16,427 | - | - | - | 16,427 | 5,477 | 77.93 | | 02/16/2026 |
| | 2017 | - | 22,981 | - | - | 22,981 | - | 92.69 | | 02/16/2027 |
| Total | | 21,298 | 22,981 | - | - | 44,279 | 7,100 | | | |
| James Guilfoyle | 2012 | 1,598 | - | - | - | 1,598 | - | 44.00 | | 02/28/2022 |
| | 2013 | 1,220 | - | - | - | 1,220 | - | 60.51 | | 02/12/2023 |
| | 2014 | 914 | - | - | - | 914 | 304 | 85.80 | | 02/20/2024 |
| | 2015 | 1,205 | - | - | - | 1,205 | 401 | 89.94 | | 02/17/2025 |
| | 2015 | 347 | - | - | - | 347 | 115 | 101.43 | | 06/01/2025 |
| | 2016 | 5,667 | - | - | - | 5,667 | 1,889 | 77.93 | | 02/16/2026 |
| | 2017 | - | 9,148 | - | - | 9,148 | - | 92.69 | | 02/16/2027 |
| Total | | 10,951 | 9,148 | - | - | 20,099 | 2,709 | | | |
| Jeffrey A. Kaplan | 2010 | 813 | - | - | - | 813 | - | 13.11 | | 04/30/2020 |
| | 2015 | 6,205 | - | - | - | 6,205 | 2,068 | 89.94 | | 02/17/2025 |
| | 2015 | 2,857 | - | - | - | 2,857 | 952 | 101.79 | | 05/07/2025 |
| | 2016 | 12,675 | - | - | - | 12,675 | 4,225 | 77.93 | | 02/16/2026 |
| | 2017 | - | 14,304 | - | - | 14,304 | - | 92.69 | | 02/16/2027 |
| Total | | 22,550 | 14,304 | - | - | 36,854 | 7,245 | | | |

Overview of restricted stock units.

| | Year of Issue | Outstanding at 1 Jan 2017 | In 2017 Granted | Vested | Forfeited | Outstanding at 31 Dec 2017 | Share price at grant date (USD) |
|---|---|---|---|---|---|---|---|
| Bhavesh V. Patel | 2014 | 875 | - | 875 | - | - | 85.80 |
| | 2015 | 19,110 | - | - | - | 19,110 | 89.94 |
| | 2015 | 85,095 | - | 14,182 | - | 70,913 | 76.15 |
| | 2016 | 26,066 | - | - | - | 26,066 | 77.93 |
| | 2017 | - | 30,344 | - | - | 30,344 | 92.69 |
| Total | | 131,146 | 30,344 | 15,057 | - | 146,433 | |
| Thomas Aebischer | 2016 | 10,357 | - | 3,453 | - | 6,904 | 86.90 |
| | 2016 | 6,978 | - | - | - | 6,978 | 77.93 |
| | 2017 | - | 6,244 | - | - | 6,244 | 92.69 |
| Total | | 17,335 | 6,244 | 3,453 | - | 20,126 | |
| Kevin W. Brown | 2015 | 3,058 | - | 2,124 | 934 | - | 89.94 |
| | 2015 | 13,271 | - | 8,471 | 4,800 | - | 81.38 |
| | 2016 | 3,882 | - | 1,402 | 2,480 | - | 77.93 |
| Total | | 20,211 | - | 11,997 | 8,214 | - | |
| Daniel Coombs | 2015 | 1,287 | - | - | - | 1,287 | 101.10 |
| | 2016 | 4,235 | - | - | - | 4,235 | 77.93 |
| | 2017 | - | 5,341 | - | - | 5,341 | 92.69 |
| Total | | 5,522 | 5,341 | - | - | 10,863 | |
| James Guilfoyle | 2012 | 584 | - | 584 | - | - | 44.00 |
| | 2013 | 446 | - | - | - | 446 | 60.51 |
| | 2014 | 331 | - | 331 | - | - | 85.80 |
| | 2015 | 328 | - | - | - | 328 | 89.94 |
| | 2015 | 92 | - | - | - | 92 | 101.43 |
| | 2016 | 1,461 | - | - | - | 1,461 | 77.93 |
| | 2017 | - | 2,126 | - | - | 2,126 | 92.69 |
| Total | | 3,242 | 2,126 | 915 | - | 4,453 | |
| Jeffrey A. Kaplan | 2015 | 1,689 | - | - | - | 1,689 | 89.94 |
| | 2015 | 761 | - | - | - | 761 | 101.79 |
| | 2016 | 3,268 | - | - | - | 3,268 | 77.93 |
| | 2017 | - | 3,324 | - | - | 3,324 | 92.69 |
| Total | | 5,718 | 3,324 | - | - | 9,042 | |

Overview of performance share units

| | Year of issue | Outstanding at 1 Jan 2017 | In 2017 Granted | Vested | Forfeited | Dividend | Outstanding at 31 Dec 2017 | Share Price at grant date USD |
|---|---|---|---|---|---|---|---|---|
| Bhavesh V. Patel | 2014 | - | 4,547 | 4,547 | - | - | - | 85.80 |
| | 2015 | 38,220 | - | - | - | - | 38,220 | 89.94 |
| | 2016 | 54,234 | - | - | - | 2,115 | 56,349 | 77.93 |
| | 2017 (1) | - | 60,687 | - | - | - | 60,687 | 92.69 |
| Total | | 92,454 | 65,234 | 4,547 | - | 2,115 | 155,256 | |
| Thomas Aebischer | 2016 | 14,520 | - | - | - | 567 | 15,087 | 77.93 |
| | 2017 (1) | - | 12,488 | - | - | - | 12,488 | 92.69 |
| Total | | 14,520 | 12,488 | - | - | 567 | 27,575 | |
| Kevin W. Brown | 2014 | - | 3,747 | 3,747 | - | - | - | 85.80 |
| | 2015 | 6,116 | - | - | 1,698 | - | 4,418 | 89.94 |
| | 2016 | 8,078 | - | - | 4,936 | 124 | 3,266 | 77.93 |
| Total | | 14,194 | 3,747 | 3,747 | 6,634 | 124 | 7,684 | |
| Daniel Coombs | 2015 | 2,573 | - | - | - | - | 2,573 | 101.10 |
| | 2016 | 8,813 | - | - | - | 345 | 9,158 | 77.93 |
| | 2017 (1) | - | 10,681 | - | - | - | 10,681 | 92.69 |
| Total | | 11,386 | 10,681 | - | - | 345 | 22,412 | |
| James Guilfoyle | 2014 | - | 860 | 860 | - | - | - | 85.80 |
| | 2015 | 656 | - | - | - | - | 656 | 89.94 |
| | 2015 | 184 | - | - | - | - | 184 | 101.43 |
| | 2016 | 3,041 | - | - | - | 120 | 3,161 | 77.93 |
| | 2017 (1) | - | 4,252 | - | - | - | 4,252 | 92.69 |
| Total | | 3,881 | 5,112 | 860 | - | 120 | 8,253 | |
| Jeffrey A. Kaplan | 2014 | - | 1,081 | 1,081 | - | - | - | 85.80 |
| | 2015 | 3,378 | - | - | - | - | 3,378 | 89.94 |
| | 2015 | 1,522 | - | - | - | - | 1,522 | 101.79 |
| | 2016 | 6,801 | - | - | - | 267 | 7,068 | 77.93 |
| | 2017 (1) | - | 6,648 | - | - | - | 6,648 | 92.69 |
| Total | | 11,701 | 7,729 | 1,081 | - | 267 | 18,616 | |

*(1)* PSUs granted in 2017 received $3.55 of accrued dividend equivalents per outstanding unit which will be converted to additional PSUs at the end of the performance period.

*Supervisory Board Remuneration*

Our Supervisory Board members receive cash compensation and equity compensation, in the form of restricted stock units, for their service on the Supervisory Board members and its committees. Additionally, beginning in 2017, Supervisory Board members can elect to receive the cash component of their compensation in Company shares. The 2017 compensation of our Supervisory Board members is shown in "Supervisory Board Members Compensation" table below.

| | |
|---|---|
| **Annual retainer:** | |
| Cash | $115,000 ($215,000 for Chairman of the Board) |
| Restricted stock units | Valued at $170,000 ($310,000 for Chairman of the Board) |
| **Committee retainer:** | |
| Members | $10,000 ($15,000 for Audit Committee) |
| Chairs | $20,000 ($27,500 for Audit and Compensation Chair) |
| **Travel fees** | $5,000 for each intercontinental round trip |

The following table summarizes the compensation expense recorded in our Financial Statements associated with the Supervisory Board members for the years ended 31 December 2017 and 2016.

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| **Thousands of U.S. Dollars** | **Fees Earned or Paid in Cash** (1) | **Stock Compen-sation** (2) | **All Other Compen-sation** (3) | **Total** | **Fees Earned or Paid in Cash** (1) | **Stock Compen-sation** (2) | **All Other Compen-sation** (3) | **Total** |
| Robert G. Gwin | | | | | | | | |
| *Chairman of the Board* | $ 215 | $ 309 | $ 18 | $ 542 | $ 215 | $ 297 | $ 27 | $ 539 |
| Jacques Aigrain | 153 | 170 | 5 | 328 | 154 | 163 | 11 | 328 |
| Lincoln Benet | 145 | 170 | 5 | 320 | 138 | 164 | - - | 302 |
| Jagjeet S. Bindra | 150 | 170 | 21 | 341 | 146 | 163 | 34 | 343 |
| Robin W. T. Buchanan | - - | 316 | - - | 316 | - - | 296 | - - | 296 |
| Stephen F. Cooper | - - | 321 | 3 | 324 | 125 | 163 | 23 | 311 |
| Nance K. Dicciani | - - | 331 | 1 | 332 | - - | 326 | 2 | 328 |
| Claire S. Farley | - - | 347 | 1 | 348 | 143 | 163 | 27 | 333 |
| Bella D. Goren | 140 | 170 | 21 | 331 | 140 | 163 | 27 | 330 |
| Bruce A. Smith | - - | 350 | 1 | 351 | - - | 329 | 2 | 331 |
| Rudy M. J. van der Meer | 135 | 170 | 6 | 311 | 139 | 163 | 2 | 304 |
| *Former Supervisory Directors* | | | | | | | | |
| Milton Carroll (4) | - - | - - | - - | - - | 69 | 101 | 4 | 174 |

(1) Includes retainers for services earned or paid through December 31, 2017. Messrs. Buchanan, Cooper, Smith and Mmes. Dicciani and Farley each elected to receive their cash compensation in the form of shares of our stock.

(2) Represents annual grants of restricted stock units, or RSUs, for all Supervisory Board members and shares of stock issued in lieu of cash compensation for Messrs. Buchanan, Cooper, Smith and Mmes. Dicciani and Farley. The annual grants of RSUs are made in conjunction with the regularly scheduled May Supervisory Board meeting. The terms of the RSUs provide for dividend equivalent payments when dividends are paid on the Company's shares. In 2017, the annual grant for each Board member was 2,110 units, other than Mr. Gwin, who received 3,848 units. These awards, which vest on May 23, 2018 (one year from the date of grant), are the only stock awards outstanding at 2017 fiscal year-end for the Supervisory Board members. In accordance with FASB Topic ASC 718, Compensation – Stock Compensation,

the grant date fair value of the awards is the number of units granted times the fair market value of our shares on that date. See Note 8 to the Consolidated Financial Statements for a description of the accounting for equity-based compensation.

The shares received in lieu of cash compensation are issued at the same time quarterly cash payments for retainers and travel fees are otherwise made to Supervisory Board members. The number of shares issued is based on the average of the closing prices of the Company's shares over the quarter in which the compensation was earned. The shares issued in lieu of cash compensation were as follows: Mr. Buchanan – 1,534 shares; Mr. Cooper - 1,587 shares; Ms. Dicciani – 1,697 shares; Ms. Farley - 1,861 shares and Mr. Smith – 1,888 shares

(3) Includes $5,000 for each intercontinental trip taken for work performed for the Company, other than for Mr. Buchanan, Mr. Cooper, Ms. Dicciani, Ms. Farley and Mr. Smith, each of whom received shares as compensation for their travel fees. Also includes benefits in kind related to tax preparation and advice related to the Supervisory Board members' UK and Dutch tax returns and payments. The Company provides these services, through a third party, to the Supervisory Board members because of our unique incorporation and tax domicile situation.

(4) Mr. Carroll retired in July 2016. Pursuant to the terms of his RSU award, he vested pro-rata based on his days of service during the year.

## 10 Other (Income) Expense, Net

| **Millions of U.S. Dollars** | **2017** | **2016** |
|---|---|---|
| (Gains)/losses on financial derivatives | $ 287 | $ 15 |
| (Gains)/losses on foreign exchange | (134) | (12) |
| (Gains)/losses on sale of investment | (105) | (88) |
| Other | (81) | (30) |
| Other (income) expense, net | $ (33) | $ (115) |

*(Gains)/losses on financial derivatives*—The amounts reported as losses on financial derivatives in 2017 and 2016 are related to our cross-currency swaps.

*(Gains)/losses on sale of investments*— Upon the sale of our 27% ownership interest in Geosel in September 2017, we received net proceeds of $155 million, which is reflected in Cash flows from investing activities in the Consolidated Statement of Cash Flows. In connection with the sale, we recognized a gain of $105 million, which is reflected in Other Income.

Upon the sale of our wholly owned subsidiary, Petroken Petroquimica Ensenada S.A. in February 2016, we received net proceeds of $137 million, which is reflected in Cash flows from investing activities in the Consolidated Statement of Cash Flows. In connection with the sale, we recognized a gain of $82 million, which is reflected in Other Income.

Upon the sale of our ownership interest in SunAllomer Ltd., our joint venture in Japan in September 2016, we received proceeds of $72 million, which is reflected in Cash flows from investing activities in the Consolidated Statement of Cash Flows. In connection with the sale, we recognized a gain of $6 million, which is reflected in Other Income.

## 11 Finance Costs

| Millions of U.S. Dollars | 2017 | 2016 |
|---|---|---|
| Interest expense on borrowings | $ 489 | $ 317 |
| Provisions for unwinding of discount | 2 | 2 |
| Foreign exchange (gain) loss from borrowings and cash | (132) | 83 |
| Other | 4 | 3 |
| Total finance costs | $ 363 | $ 405 |

## 12 Income Tax Expense

LyondellBasell Industries N.V. is tax resident in the United Kingdom pursuant to a mutual agreement procedure determination ruling between the Dutch and United Kingdom competent authorities and therefore subject solely to the United Kingdom corporate income tax system.

Through our subsidiaries, we have substantial operations world-wide and earn significant income in the United States. Taxes are primarily paid on the earnings generated in various jurisdictions, including the United States, The Netherlands, Germany, France, Italy and other countries. LyondellBasell Industries N.V. has little or no taxable income of its own because, as a holding company, it does not conduct any operations. Instead, the subsidiaries through which we operate incur tax obligations in the jurisdictions in which they operate.

We monitor income tax developments in countries where we conduct business. On 22 December 2017, the U.S. enacted "H.R.1," also known as the "Tax Cuts and Jobs Act" (the "Tax Act") with some provisions effective as early as 2017 while others are delayed until 2018. This change in U.S. tax law included a reduction in the federal corporate tax rate from 35% to 21% for years beginning after 2017, which resulted in the remeasurement of our U.S. net deferred income tax liabilities. Our 2017 income tax provision includes an $849 million income tax benefit related to the remeasurement of our U.S. net deferred income tax liabilities. The impact of the Tax Act may differ from this best estimate due to additional guidance that may be issued, changes in assumptions made, and the finalization of certain U.S. income tax positions with the filing of our 2017 U.S. income tax return which will allow for the ability to conclude whether any further adjustments are necessary to our deferred tax assets and liabilities. We will continue to analyze the Tax Act to determine the full effects of the new law.

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

The significant components of the provision for income taxes are as follows:

| Millions of U.S. Dollars | Note | 2017 | 2016 |
|---|---|---|---|
| Current tax on profits for the year | | $ 1,186 | $ 1,042 |
| Deferred tax - origination and reversal of temporary difference | 26 | (508) | 430 |
| Deferred tax - prior year adjustment | | -- | 13 |
| Income tax expense | | $ 678 | $ 1,485 |

The tax on LyondellBasell N.V.'s profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

| Millions of U.S. Dollars | 2017 | 2016 |
|---|---|---|
| Profit before tax | $ 5,740 | $ 5,678 |
| | | |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | 1,837 | 1,802 |
| Tax effects of: | | |
| Exempt income | (332) | (292) |
| Remeasurement of U.S. net deferred tax liability | (849) | - - |
| U.S. manufacturing deduction | (57) | (41) |
| Other | 79 | 16 |
| Tax charge | $ 678 | $ 1,485 |

The weighted average applicable tax rates for 2017 and 2016 were 32.2% and 31.7%, respectively. The increase was primarily attributable to a change in the geographic mix of income. Our effective income tax rate of 11.8% in 2017 and 26.2% in 2016 resulted in tax provisions of $678 million and $1,485 million, respectively. Compared to 2016, the 2017 effective income tax rate decreased primarily due to the re-measurement of U.S. net deferred income tax liabilities as a result of change in U.S. tax law, an increase in tax exempt income, and the increase in the U.S. domestic production activity deduction.

Current and deferred taxes related to items charged or (credited) directly to other comprehensive income during the period are as follows:

| Millions of U.S. Dollars | 2017 | 2016 |
|---|---|---|
| Current tax: | | |
| Currency translation differences | $ (23) | $ (7) |
| Deferred tax: | | |
| Retirement benefit obligation | 47 | (28) |
| Currency translation differences | (10) | -- |
| Derivatives | (13) | (1) |
| Other | (2) | 1 |
| | $ (1) | $ (35) |

Current and deferred taxes credited directly to equity are as follows:

| Millions of U.S. Dollars | Note | 2017 | 2016 |
|---|---|---|---|
| Current tax | | | |
| Share based payments | | $ - - | $ (2) |
| Deferred tax: | | | |
| Share based payments | 26 | (2) | 1 |
| Share based payments - prior year adjustment | | - - | (13) |
| | | $ (2) | $ (14) |

## 13 Earnings Per Share

*Basic earnings per share*—Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company and held as treasury shares. The Company has unvested restricted stock units that are considered participating securities for earnings per share.

| Millions of U.S. Dollars, except per share data | 2017 | 2016 |
|---|---|---|
| Profit attributable to LyondellBasell N.V. | $ 5,064 | $ 4,192 |
| Profit attributable to participating securities | (5) | (4) |
| Profit attributable to equity holders of the Company | 5,059 | 4,188 |
| Basic weighted average common stock outstanding | 398 | 419 |
| Basic earnings per share | $ 12.70 | $ 9.99 |

*Diluted earnings per share*—Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

| Millions of U.S. Dollars, except per share data | 2017 | 2016 |
|---|---|---|
| Profit attributable to LyondellBasell N.V. | $ 5,064 | $ 4,192 |
| Profit attributable to participating securities | (5) | (4) |
| Profit attributable to equity holders of the Company | 5,059 | 4,188 |
| Basic weighted average common stock outstanding | 398 | 419 |
| Effect of dilutive securities: | | |
| PSU awards | - - | 1 |
| Stock options | 1 | - - |
| Dilutive potential shares | 399 | 420 |
| Diluted earnings per share | $ 12.70 | $ 9.97 |
| Participating securities | - - | 0.4 |
| Interim dividend per share of common stock | $ 3.55 | $ 3.33 |

## 14 Intangible Assets

| Millions of U.S. Dollars | Capitalized Development Projects | Goodwill | Emission Allowances | Favorable Contracts and Other Intangibles | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2016** | $ 90 | $ 335 | $ 328 | $ 250 | $ 1,003 |
| Additions | 8 | - - | 17 | 4 | 29 |
| Retirements | - - | - - | (6) | - - | (6) |
| Transfers | - - | - - | (1) | 1 | - - |
| Amortization | (9) | - - | (62) | (34) | (105) |
| Exchange differences | (2) | (2) | - - | 1 | (3) |
| **At 31 December 2016** | $ 87 | $ 333 | $ 276 | $ 222 | $ 918 |
| **At 31 December 2016** | | | | | |
| Cost | $ 145 | $ 333 | $ 697 | $ 592 | $ 1,767 |
| Accumulated amortization and impairment | (58) | - - | (421) | (370) | (849) |
| **Closing balance** | $ 87 | $ 333 | $ 276 | $ 222 | $ 918 |
| **Balance at 1 January 2017** | $ 87 | $ 333 | $ 276 | $ 222 | $ 918 |
| Additions | 9 | 8 | 113 | 15 | 145 |
| Retirements | - - | - - | (8) | (1) | (9) |
| Amortization | (10) | - - | (67) | (35) | (112) |
| Exchange differences | 9 | 5 | 4 | 3 | 21 |
| **At 31 December 2017** | $ 95 | $ 346 | $ 318 | $ 204 | $ 963 |
| **At 31 December 2017** | | | | | |
| Cost | $ 163 | $ 346 | $ 786 | $ 606 | $ 1,901 |
| Accumulated amortization and impairment | (68) | - - | (468) | (402) | (938) |
| **Closing balance** | $ 95 | $ 346 | $ 318 | $ 204 | $ 963 |

*Research and development*—Amortization expense is generally recorded as part of Cost of sales. Research and development expenditures recognized as expense for 2017 and 2016 were $90 million and $83 million, respectively.

*Goodwill*—Goodwill is allocated and monitored by management into the following groups of cash generating units ("CGU"):

| Millions of U.S. Dollars | 2017 | 2016 |
|---|---|---|
| Intermediates and Derivatives | $ 193 | $ 178 |
| Olefins and Polyolefins - Americas | 131 | 131 |
| Olefins and Polyolefins - Europe, Asia, International | 12 | 16 |
| Technology | 10 | 8 |
| Total | $ 346 | $ 333 |

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on management approved financial budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates described in the "Growth rate estimates" section below. Based on this analysis, the recoverable amounts of each of our cash generating units or groups of cash generating units were substantially in excess of their carrying value. Accordingly, no goodwill impairment was recognized in 2017 or 2016.

The calculation of value is most sensitive to the following assumptions:

- Gross margin
- Pre-tax discount rates
- Market share assumptions; and
- Growth rate used to extrapolate cash flows beyond the budget period

*Gross margins*—Gross margins are predicted in the planning period by using key hydrocarbon pricing estimates and product variable margins based on macroeconomic predictions and individual supply and demand balances.

*Pre-tax discount rates*—Pre-tax discount rates ("discount rates") represent the current market assessment of the risks specific to each cash generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the nature of the assets and activities of the Company's business and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the nature of the Company's assets and activities.

*Market share assumptions*—These assumptions are based on forecasts of demand for our products taking into consideration changes in global capacity.

*Growth rate estimates*—Rates are based upon managements' best estimates which are determined using published third party sources, internal knowledge and market insights based on macroeconomic predictions

With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount.

The key assumptions used for value-in-use calculations are as follows:

| | **2017** | | **2016** | |
|---|---|---|---|---|
| | **Pre-tax Discount Rate** | **Growth Rate** | **Pre-tax Discount Rate** | **Growth Rate** |
| Intermediates and Derivatives | 14% | 2% | 12% | 2% |
| Olefins and Polyolefins - Americas | 13% | 2% | 13% | 2% |
| Olefins and Polyolefins - EAI | 16% | 2% | 17% | 2% |
| Technology | 16% | 3% | 18% | 3% |

## 15 Property, Plant and Equipment

| Millions of U.S. Dollars | Land | Building and Equipment | Assets Under Construction | Joint Operations | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2016** | $ 283 | $ 7,755 | $ 1,272 | $ 356 | $ 9,666 |
| Additions | - - | 77 | 2,283 | - - | 2,360 |
| Transfers | - - | 2,450 | (2,459) | 9 | - - |
| Disposals | - - | (120) | (1) | - - | (121) |
| Depreciation | - - | (964) | - - | (8) | (972) |
| Impairment | - - | (3) | - - | - - | (3) |
| Exchange differences | (5) | (71) | (12) | (3) | (91) |
| **At 31 December 2016** | $ 278 | $ 9,124 | $ 1,083 | $ 354 | $ 10,839 |
| | | | | | |
| **At 31 December 2016** | | | | | |
| Cost | $ 278 | $ 14,022 | $ 1,146 | $ 637 | $ 16,083 |
| Accumulated amortization and impairment | - - | (4,898) | (63) | (283) | (5,244) |
| **Closing balance** | $ 278 | $ 9,124 | $ 1,083 | $ 354 | $ 10,839 |
| | | | | | |
| **Balance at 1 January 2017** | $ 278 | $ 9,124 | $ 1,083 | $ 354 | $ 10,839 |
| Additions | 10 | 14 | 1,642 | 31 | 1,697 |
| Transfers | 3 | 1,335 | (1,345) | 7 | - - |
| Disposals | - - | (83) | - - | (1) | (84) |
| Depreciation | - - | (1,065) | - - | (38) | (1,103) |
| Impairment | - - | (11) | - - | - - | (11) |
| Exchange differences | 22 | 295 | 42 | 13 | 372 |
| **At 31 December 2017** | $ 313 | $ 9,609 | $ 1,422 | $ 366 | $ 11,710 |
| | | | | | |
| **At 31 December 2017** | | | | | |
| Cost | $ 313 | $ 15,320 | $ 1,422 | $ 682 | $ 17,737 |
| Accumulated amortization and impairment | - - | (5,711) | - - | (316) | (6,027) |
| **Closing balance** | $ 313 | $ 9,609 | $ 1,422 | $ 366 | $ 11,710 |

Depreciation, amortization and impairment charges are recognized in Cost of sales, Selling costs and Administrative expenses as indicated in the following table:

| Millions of U.S. Dollars | 2017 | 2016 |
|---|---|---|
| Cost of sales | $ 1,175 | $ 1,064 |
| Selling costs | 1 | 1 |
| Administrative expenses | 50 | 15 |
| Total | $ 1,226 | $ 1,080 |

## 16 Investments in Associates and Joint Ventures

The Company does not have any joint ventures or associates that are considered individually material. None of the associates and joint ventures is listed on a stock exchange.

Summarized aggregate financial information of the joint ventures and associates are shown below.

The amounts recognized on our Consolidated Statement of Financial Position are as follows:

| | 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Associates | $ 347 | $ 353 |
| Joint ventures | 1,017 | 939 |
| | $ 1,364 | $ 1,292 |

The amounts recognized on our Consolidated Statement of Income are as follows:

| | 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Associates | $ 50 | $ 54 |
| Joint ventures | 167 | 243 |
| | $ 217 | $ 297 |

### Associates

The changes in our Associates investments are as follows:

| | 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Opening balance | $ 353 | $ 502 |
| Transfers | - - | (142) |
| Share in profit of associates, net of tax | 53 | 54 |
| Unrealized gain on available-for-sale securities | 19 | - - |
| Impairment | (3) | - - |
| Dividends received | (60) | (66) |
| Divestitures | (35) | - - |
| Currency exchange differences | 23 | 7 |
| Other | (3) | (2) |
| Closing balance | $ 347 | $ 353 |

In September 2017, we sold our 27% ownership interest in Geosel and received proceeds of $155 million.

Currency exchange differences are reported in the Consolidated Statement of Other Comprehensive Income within Currency translation of foreign operations.

### Joint Ventures

The changes in our Joint Venture investments are as follows:

| Millions of U.S. Dollars | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Opening balance | $ 939 | $ 832 |
| Transfers | - - | 142 |
| Share in profit of joint ventures, net of tax | 167 | 243 |
| Dividends received | (152) | (319) |
| Sale of ownership interest in Sunallomer Ltd. | - - | (58) |
| Purchase of additional ownership interest in Polymirae Co. Ltd. | - - | 38 |
| Capital repayment | - - | (9) |
| Currency exchange differences | 63 | 2 |
| Other | - - | 68 |
| Closing balance | $ 1,017 | $ 939 |

In September 2016, we received proceeds of $72 million from the sale of our ownership interest in SunAllomer Ltd., our joint venture in Japan. Also in September 2016, we purchased a net additional 7.41% interest in Polymirae Co. Ltd., our joint venture in Korea, for $36 million.

Currency exchange differences are reported in the Consolidated Statement of Other Comprehensive Income within Currency translation of foreign operations.

### Principal Subsidiaries

Information about principal subsidiaries at 31 December 2017 is set out in Appendix A.

## 17 Financial Assets and Liabilities by Category

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| Millions of U.S. Dollars | Financial assets at amortized cost | Assets Held at Fair Value | Deriva-tives Used for Hedging | Total | Financial assets at amortized cost | Assets Held at Fair Value | Deriva-tives Used for Hedging | Total |
| **Financial assets at 31 December** | | | | | | | | |
| Trade and other receivables, excluding prepayments | $ 4,554 | $ - - | $ - - | $ 4,554 | $ 3,569 | $ - - | $ - - | $ 3,569 |
| Derivative financial instruments | - - | 70 | 22 | 92 | - - | 303 | 37 | 340 |
| Held to maturity investments | - - | - - | - - | - - | 74 | - - | - - | 74 |
| Available for sale investments | - - | 1,307 | - - | 1,307 | - - | 1,073 | - - | 1,073 |
| Cash and cash equivalents | 1,579 | - - | - - | 1,579 | 946 | - - | - - | 946 |
| Total | $ 6,133 | $ 1,377 | $ 22 | $ 7,532 | $ 4,589 | $ 1,376 | $ 37 | $ 6,002 |

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Other Financial Liabilities at Amortized Cost** | **Liabilities at Fair Value through Profit and Loss** | **Deriva-tives Used for Hedging** | **Total** | **Other Financial Liabilities at Amortized Cost** | **Liabilities at Fair Value through Profit and Loss** | **Deriva-tives Used for Hedging** | **Total** |
| **Financial liabilities at 31 December** | | | | | | | | |
| Borrowings | $ 8,707 | $ - - | $ - - | $ 8,707 | $ 9,089 | $ - - | - - | $ 9,089 |
| Derivative financial instruments | - - | 94 | 186 | 280 | - - | 33 | 20 | 53 |
| Trade and other payables | 4,145 | - - | - - | 4,145 | 3,460 | 41 | - - | 3,501 |
| Total | $ 12,852 | $ 94 | $ 186 | $ 13,132 | $ 12,549 | $ 74 | $ 20 | $ 12,643 |

## 18 Credit Quality of Financial Assets

Investments in cash and cash equivalents and transactions involving derivative financial instruments are entered into with counterparties that have sound credit ratings and a good reputation. Available-for-sale investments consist of commercial paper, bonds and certificates of deposits, time deposits and limited partnership investments with counterparties whose credit rating is investment grade or higher.

We have a global credit risk management policy to minimize credit losses due to non-performance of our customer base. We monitor our exposure to credit risk on an on-going basis through a team of credit professionals stationed in our key global markets. We have continued to manage our customer credit risk very closely by monitoring our aging analysis along with payment and financial performance. Where appropriate, additional security instruments, letters of credit or corporate guarantees, are secured. Due to our global breadth and scale, we do not have a significant concentration of customer risk. Our largest counterparty risk amounted to $68 million and $59 million at 31 December 2017 and 2016, respectively.

## 19 Derivative and Other Financial Instruments

| Millions of U.S. Dollars | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Assets** | | |
| **Derivatives -** | | |
| **Designated as hedges:** | | |
| Commodities | $ - - | $ 3 |
| Foreign Currency | 1 | 31 |
| Interest rates | 21 | 16 |
| **Not designated as hedges:** | | |
| Commodities | 20 | 5 |
| Foreign currency | 50 | 285 |
| **Non-derivatives:** | | |
| Held-to-maturity securities | - - | 74 |
| Available-for-sale securities | 1,307 | 1,073 |
| Total | $ 1,399 | $ 1,487 |
| **Liabilities** | | |
| **Derivatives -** | | |
| **Designated as hedges:** | | |
| Commodities | $ 8 | $ - - |
| Foreign Currency | 115 | 16 |
| Interest rates | 63 | 4 |
| **Not designated as hedges:** | | |
| Commodities | 29 | 1 |
| Foreign currency | 65 | 10 |
| Interest rates | - - | 1 |
| Written put option | - - | 21 |
| **Non-derivatives:** | | |
| Performance share awards | - - | 41 |
| Total | $ 280 | $ 94 |

*Written put option*—The subsidiary that holds the Company's equity interest in a certain associate had a minority shareholder, which held 16.21% of its equity. The equity interest held by the minority shareholder could have been called by the Company or could have been put to the Company by the minority interest shareholder at any time. The price of the call option was the nominal value of the shares (initial $18 million investment) plus accrued interest based on the London Interbank Offered Rate ("LIBOR") plus 40 basis points, less paid dividends. On November 9, 2016, Basell International Holdings, B.V. notified the minority shareholder of its intention to exercise the option to purchase all of the minority shareholders shares. The effective date of transfer was April 2017 at an Option price of $21 million.

For further details on derivatives, reference is made to Note 4 Financial Risk Management.

## 20 Inventories

| Millions of U.S. Dollars | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Finished goods | $ 2,543 | $ 2,058 |
| Parts and materials | 561 | 498 |
| Raw materials and supplies | 1,111 | 978 |
| Total inventories | $ 4,215 | $ 3,534 |

Cost of inventories of $22,647 million and $17,901 million in 2017 and 2016, respectively, has been recognized as expense and included in Cost of sales.

## 21 Trade and Other Receivables

| Millions of U.S. Dollars | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Trade receivables | $ 3,417 | $ 2,731 |
| Trade receivables on related parties | 131 | 126 |
| Less: provision for impairment of trade receivables | (17) | (16) |
| Trade receivables, net | 3,531 | 2,841 |
| | | |
| Social security and other taxes | 198 | 104 |
| Prepaid expenses | 182 | 194 |
| Repurchase agreements | 570 | 369 |
| Other | 255 | 255 |
| Total | 4,736 | 3,763 |
| | | |
| Less: non-current portion | (122) | (113) |
| Current portion | $ 4,614 | $ 3,650 |

The carrying value of the trade and other receivables approximates their fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. We do not hold any collateral as security.

The provision for doubtful trade receivables is determined based on ageing and reviewed periodically. The creation and release of provisions for impaired receivables have been included in Selling costs in the Consolidated Statement of Income.

The ageing of the net trade receivables at 31 December were as follows:

| Millions of U.S. Dollars | 2017 | 2016 |
|---|---|---|
| Amounts undue | $ 3,372 | $ 2,736 |
| Past due 0-90 days | 149 | 103 |
| Past due 91-180 days | 10 | 2 |
| | $ 3,531 | $ 2,841 |

The ageing of the gross trade receivables provided for at 31 December were as follows:

| Millions of U.S. Dollars | 2017 Gross | 2017 Provision | 2016 Gross | 2016 Provision |
|---|---|---|---|---|
| Amounts undue | $ - - | $ - - | $ - - | $ - - |
| Past due 0-90 days | - - | - - | - - | - - |
| Past due 91-180 days | 17 | 17 | 16 | 16 |
| | $ 17 | $ 17 | $ 16 | $ 16 |

At 31 December 2017 and 2016, trade receivables of an initial value of $17 million and $16 million, respectively, were impaired and fully provided for. The movement in the provision for doubtful accounts is as follows:

| Millions of U.S. Dollars | 2017 | 2016 |
|---|---|---|
| Balance, 1 January | $ 16 | $ 24 |
| (Write off) additions, net | 1 | (8) |
| Balance, 31 December | $ 17 | $ 16 |

Trade receivables secured by letters of credit were $136 million and $125 million at 31 December 2017 and 2016, respectively. The carrying amounts of trade and other receivables are denominated in the following currencies at 31 December:

| Millions of U.S. Dollars | 2017 | 2016 |
|---|---|---|
| USD | $ 3,810 | $ 1,848 |
| EUR | 459 | 1,494 |
| Other | 467 | 421 |
| | $ 4,736 | $ 3,763 |

For further details on trade receivables, reference is made to Note 4 Financial Risk Management.

## 22 Cash and Cash Equivalents

For the purpose of the Consolidated Statement of Cash Flows, Cash and cash equivalents comprise the following at 31 December:

| Millions of U.S. Dollars | 2017 | 2016 |
|---|---|---|
| Cash at bank and on hand | $ 1,147 | $ 646 |
| Short-term deposits | 432 | 300 |
| | $ 1,579 | $ 946 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.

## 23 Equity Attributable to the Owners of the Company

The Company's authorized share capital totals €51 million divided into 1,275 million ordinary shares of €0.04 each.

For a breakdown of Equity attributable to equity holders, reference is made to the Consolidated Statement of Changes in Equity. For a detail of the non-distributable reserves, reference is made to the Corporate Financial Statements.

*Dividend distribution*—We declared and paid the following dividends for the following periods:

| Millions of U.S. Dollars, except per share amounts | Dividend Per Ordinary Share | Aggregate Dividends Paid | Date of Record |
|---|---|---|---|
| **For the year 2017:** | | | |
| March | $ 0.85 | $ 343 | March 6, 2017 |
| June | 0.90 | 361 | June 5, 2017 |
| September | 0.90 | 356 | September 6, 2017 |
| December | 0.90 | 355 | December 5, 2017 |
| | $ 3.55 | $ 1,415 | |
| **For the year 2016:** | | | |
| March | $ 0.78 | $ 336 | February 29, 2016 |
| May | 0.85 | 362 | May 24, 2016 |
| September | 0.85 | 351 | August 16, 2016 |
| December | 0.85 | 346 | November 29, 2016 |
| | $ 3.33 | $ 1,395 | |

*Shares Repurchase Programs*—In May 2017, our shareholders approved a proposal to authorize us to repurchase up to an additional 10% of our outstanding ordinary shares through November 2018 ("May 2017 Share Repurchase Program"). As a result, the authorization of the remaining unpurchased shares under the share repurchase program approved by our shareholders in May 2016 ("May 2016 Share Repurchase Program") was superseded. We completed the repurchase of shares under share repurchase programs authorized by our shareholders in May 2015 ("May 2015 Share Repurchase Program) in 2016.

These repurchases, which are determined at the discretion of our Management Board, may be executed from time to time through open market or privately negotiated transactions. The repurchased shares, which are recorded at cost, are classified as Treasury stock and may be retired or used for general corporate purposes, including for various employee benefit and compensation plans.

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

| | 2017 | | | | |
|---|---|---|---|---|---|
| Millions of U.S. Dollars, except shares and per share amounts | Shares Repurchased | | Average Purchase Price | | Total Purchase Price, Including Commissions |
| May 2016 Share Repurchase Program | 3,501,084 | $ | 85.71 | $ | 300 |
| May 2017 Share Repurchase Program | 6,516,917 | | 83.54 | | 545 |
| | 10,018,001 | $ | 84.30 | $ | 845 |

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Shares Repurchased | | Average Purchase Price | | Total Purchase Price, Including Commissions |
| May 2015 Share Repurchase Program | 15,302,707 | $ | 80.15 | $ | 1,226 |
| May 2016 Share Repurchase Program | 21,316,627 | | 79.18 | | 1,688 |
| | 36,619,334 | $ | 79.58 | $ | 2,914 |

Due to the timing of settlements, total cash paid for share repurchases for the years ended December 31, 2017 and 2016 was $866 million and $2,938 million, respectively.

*Ordinary Shares*—The changes in the outstanding number of ordinary and treasury shares are as follows:

| | 31 December | |
|---|---|---|
| | 2017 | 2016 |
| Ordinary shares outstanding: | | |
| Beginning balance | 404,046,331 | 440,150,069 |
| Share-based compensation | 371,980 | 418,892 |
| Warrants exercised | 4,184 | 200 |
| Employee stock purchase plan | 107,560 | 96,504 |
| Purchase of ordinary shares | (10,018,001) | (36,619,334) |
| Ending balance | 394,512,054 | 404,046,331 |
| Ordinary shares held as Treasury shares: | | |
| Beginning balance | 174,389,139 | 138,285,201 |
| Share-based compensation | (371,980) | (418,892) |
| Warrants exercised | 509 | - - |
| Employee stock purchase plan | (107,560) | (96,504) |
| Purchase of ordinary shares | 10,018,001 | 36,619,334 |
| Ending balance | 183,928,109 | 174,389,139 |
| Ordinary shares issued at end of period | 578,440,163 | 578,435,470 |

## 24 Non-Controlling Interests

Non-controlling interests primarily represent the interest of unaffiliated investors in a partnership that owns our PO/SM II plant at the Channelview, Texas complex.

In April 2017, we increased our interest in the entity that holds our equity interest in Al Waha Petrochemicals Ltd. from 83.79% to 100% by paying $21 million to exercise a call option to purchase the remaining 16.21% interest held by a third party.

## 25 Borrowings

The carrying amounts of the borrowings and the fair value of the non-current borrowings as of 31 December are as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| **Millions of U.S. Dollars** | **Carrying Value** | **Fair Value** | **Carrying Value** | **Fair Value** |
| **Non-current:** | | | | |
| Senior Notes due 2019, $2,000 million, 5.0% | $ 961 | $ 1,027 | $ 1,906 | $ 2,112 |
| Senior Notes due 2021, $1,000 million, 6.0% | 981 | 1,113 | 988 | 1,130 |
| Senior Notes due 2024, $1,000 million, 5.75% | 992 | 1,137 | 991 | 1,138 |
| Senior Notes due 2055, $1,000 million, 4.625% | 973 | 1,040 | 972 | 931 |
| Guaranteed Notes due 2044, $1,000 million, 4.875% | 979 | 1,107 | 979 | 1,030 |
| Guaranteed Notes due 2023, $750 million, 4.0% | 740 | 800 | 739 | 782 |
| Guaranteed Notes due 2043, $750 million, 5.25% | 722 | 870 | 721 | 803 |
| Guaranteed Notes due 2027, $300 million, 8.1% | 300 | 399 | 300 | 391 |
| Guaranteed Notes due 2022, €750 million 1.875% | 894 | 945 | 785 | 786 |
| Guaranteed Notes due 2027. $1,000 million. 3.5% | 984 | 1,004 | - - | - - |
| Other | 93 | 93 | 92 | 89 |
| Total | $ 8,619 | $ 9,535 | $ 8,473 | $ 9,192 |
| **Current:** | | | | |
| Other | $ 88 | $ 98 | $ 616 | $ 624 |
| Total borrowings | $ 8,707 | $ 9,633 | $ 9,089 | $ 9,816 |

The fair values of the senior notes and guaranteed notes are based on data obtained from well-established and recognized vendors of market data for debt valuations. The fair value of the finance payable to investees and the Other equals the carrying amount, as the impact of discounting is not significant.

The following table sets out an analysis of the cash movements in borrowings for the period.

| **Millions of U.S. Dollars** | **Current Borrowings** | **Non-current Borrowings** | **Total** |
|---|---|---|---|
| Balance as at 1 January 2017 | $ 616 | $ 8,473 | $ 9,089 |
| Net Cash Flows | (497) | (17) | (514) |
| Foreign Exchange Adjustments | - - | 148 | 148 |
| Other Non-cash movements | (31) | 15 | (16) |
| Balance as at 31 December 2017 | $ 88 | $ 8,619 | $ 8,707 |

Gains (losses) related to fair value adjustments associated with the fair value hedge accounting of our fixed-for-floating interest rate swaps for the applicable periods are as follows:

| | **Inception Year** | **31 December 2017** | **31 December 2016** | **Cumulative Since Inception** |
|---|---|---|---|---|
| Senior notes due 2019. 5.0% | 2014 | $ (48) | $ 42 | $ 36 |
| Senior notes due 2021. 6.0 % | 2016 | 9 | 3 | 12 |
| Guaranteed Notes due 2027. 3.5% | 2017 | (1) | - - | (1) |

These fair values adjustments are recognized in Finance cost in the Consolidated Statement of income.

The carrying amounts of our borrowings are denominated in the following currencies at 31 December:

| **Millions of U.S. Dollars** | **31 December 2017** | **31 December 2016** |
|---|---|---|
| USD | $ 7,720 | $ 8,191 |
| EUR | 896 | 789 |
| Other | 91 | 109 |
| | $ 8,707 | $ 9,089 |

Aggregate maturities of debt during the next five years are $92 million in 2018, $1,019 million in 2019, $19 million in 2020, $1,023 million in 2021, $926 million in 2022 and $5,801 million thereafter.

*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%. In March 2017, the net proceeds from these notes, together with available cash, were used to redeem $1,000 million aggregate principal amount of our outstanding 5% senior notes due 2019.

These unsecured notes, which are fully and unconditionally guaranteed by LyondellBasell Industries N.V., rank equally in right of payment to all of LYB Finance II's existing and future unsecured indebtedness and to all of LyondellBasell Industries N.V.'s existing and future unsubordinated indebtedness. There are no significant restrictions that would impede LyondellBasell Industries N.V., as guarantor, from obtaining funds by dividend or loan from its subsidiaries.

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 three 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 20 basis points) on the notes to be redeemed. The notes may also be redeemed on or after the date that is three months prior to the scheduled 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.

*Senior Notes due 2019, 2021 and 2024*—In March 2017, we redeemed $1,000 million aggregate principal amount of the $2,000 million aggregate principal amount outstanding of our 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.

We have outstanding $1,000 million aggregate principal amount of 5.75% senior notes due 2024, and $1,000 million of 6% senior notes due 2021.

The indentures governing the 5%, 5.75% and 6% Senior Notes contain limited covenants, including those restricting our ability and the ability of our subsidiaries to incur indebtedness secured by any property or assets, enter into certain sale and lease-back transactions with respect to any assets or enter into consolidations, mergers or sales of all or substantially all of our assets.

These notes may be redeemed and repaid, in whole or in part, at any time and from time to time prior to the date that is 90 days prior to the scheduled maturity date of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus a premium for each note redeemed equal to the greater of 1.00% of the then outstanding principal amount of the note and the excess of: (a) the present value at such redemption date of (i) the principal amount of the note at maturity plus (ii) all required interest payments due on the note through maturity (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over (b) the outstanding principal amount of the note. These notes may also be redeemed, in whole or in part, at any time on or after the date which is 90 days 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.

*Guaranteed notes due 2022*—In March 2016, LYB Finance II issued €750 million of 1.875% guaranteed notes due 2022 at a discounted price of 99.607%

These unsecured notes, which are fully and unconditionally guaranteed by LyondellBasell Industries N.V., rank equally in right of payment to all of the LYB Finance II's existing and future unsecured indebtedness and to all of LyondellBasell Industries N.V.'s existing and future unsupported indebtedness. There are no significant restrictions that would impede LyondellBasell Industries N.V., as a guarantor, from obtaining funds by dividend or loan from its subsidiaries.

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 or subsidiaries that own significant property, enter into any sale and leaseback 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 3 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 Comparable Government Bond Rate plus 35 basis points) on the notes to be redeemed. The notes may also be redeemed on or after the date that is three months prior to the scheduled 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. The notes are also redeemable upon certain tax events.

*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 Industries 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.

*Guaranteed Notes due 2044*—In February 2014, LYB International Finance B.V. ("LYB Finance"), 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 4.875% guaranteed notes due 2044 at a discounted price of 98.831%.

These unsecured notes, which are fully and unconditionally guaranteed by LyondellBasell Industries N.V., rank equally in right of payment to all of LYB Finance's existing and future unsecured indebtedness and to all of LyondellBasell's existing and future unsubordinated indebtedness. There are no significant restrictions that would impede the Guarantor from obtaining funds by dividend or loan from its subsidiaries. Subsidiaries are generally prohibited from entering into arrangements that would limit their ability to make dividends to or enter into loans with the Guarantor.

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 20 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.

*Guaranteed Notes due 2023 and 2043*—In July 2013, LYB Finance issued $750 million of 4% Notes due 2023 and $750 million of 5.25% guaranteed notes due 2043 at discounted prices of 98.678% and 97.004%, respectively.

These unsecured notes, which are fully and unconditionally guaranteed by LyondellBasell Industries N.V., rank equally in right of payment to all of LYB Finance's existing and future unsecured indebtedness and to all of LyondellBasell's existing and future unsubordinated indebtedness. There are no significant restrictions that would impede the Guarantor from obtaining funds by dividend or loan from its subsidiaries. Subsidiaries are generally prohibited from entering into arrangements that would limit their ability to make dividends to or enter into loans with the Guarantor.

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 and repaid, in whole or in part, at any time and from time to time prior to maturity 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 on the notes to be redeemed. Such interest will be discounted to the date of redemption on a semi-annual basis at the applicable Treasury Yield plus 25 basis points in the case of the 4% Notes due 2023 and plus 30 basis points in the case of the 5.25% Notes due 2043.

*Guaranteed Notes due 2027*—We have outstanding $300 million aggregate principal amount of 8.1% Guaranteed Notes due 2027. These notes, which are guaranteed by LyondellBasell Industries Holdings B.V., a subsidiary of LyondellBasell Industries N.V., contain certain restrictions with respect to the level of maximum debt that can be incurred and security that can be granted by certain operating companies that are direct or indirect wholly owned subsidiaries of LyondellBasell Industries Holdings B.V.

The 2027 Notes contain customary provisions for default, including, among others, the non-payment of principal and interest, certain failures to perform or observe obligations under the Agreement on the notes the occurrence of certain defaults under other indebtedness, failure to pay certain indebtedness and the insolvency or bankruptcy of certain LyondellBasell Industries N.V. subsidiaries.

*Short-Term Debt*

*Senior Revolving Credit Facility*—In June 2017, the term of our $2,500 million revolving credit facility was extended for one year to June 2022 pursuant to a consent agreement. All other material terms of the revolving credit facility remained unchanged.

The revolving credit facility 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 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 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 31 December 2017. At 31 December 2017, there were no outstanding commercial paper, no outstanding letters of credit and no outstanding borrowings under the facility.

*Commercial Paper Program*— We have a commercial paper program which we may issue up to $2,500 million of privately placed, unsecured, short-term promissory notes ("commercial paper"). The 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 Securitization Facility*—Our $900 million U.S. accounts receivable securitization facility, which expires in August 2018, has a purchase limit of $900 million in addition to a $300 million uncommitted accordion feature. This facility provides liquidity through the sale or contribution of trade receivables by certain of our U.S. subsidiaries to a wholly owned, bankruptcy-remote subsidiary on an ongoing basis and without recourse. The bankruptcy-remote subsidiary may then, at its option and subject to a borrowing base of eligible receivables, sell undivided interests in the pool of trade receivables to financial institutions participating in the facility. In the event of liquidation, the bankruptcy-remote subsidiary's assets will be used to satisfy the claims of its creditors prior to any assets or value in the bankruptcy-remote subsidiary becoming available to us. We are responsible for servicing the receivables. This facility also provides for the issuance of letters of credit up to $200 million. The term of the securitization facility may be extended in accordance with the provisions of the agreement.

The facility is also subject to customary warranties and covenants, including limits and reserves and the maintenance of specified financial ratios. We are required to maintain a leverage ratio at the end of every fiscal quarter of 3.50 to 1.00 or less for the period covering the most recent four quarters. We are in compliance with these covenants as of 31 December 2017. Performance obligations under the facility are guaranteed by our parent company. Additional fees are incurred for the average daily unused commitments.

At 31 December 2017, there were no borrowings or letters of credit outstanding under the facility.

*Precious Metal Financings*—We enter into lease agreements for precious metals which are used in our production processes. All precious metal borrowings are classified as short-term debt.

## 26 Deferred Income Tax

The gross movement in the deferred income tax account is as follows:

| | | 31 December | |
|---|---|---|---|
| **Millions of U.S. Dollars** | **Note** | **2017** | **2016** |
| Opening balance | | $ 2,032 | $ 1,629 |
| Income statement charge | 12 | (508) | 430 |
| Tax charge/(credit) relating to components of other comprehensive income | 12 | 22 | (28) |
| Tax charge/(credit) directly relating to equity | 12 | (2) | 1 |
| Tax charge/(credit) relating to reclass from deferred tax liabilities | | (3) | (3) |
| Currency translation adjustment | | 19 | 3 |
| Deferred tax liabilities, net | | $ 1,560 | $ 2,032 |

The deferred tax movement of tax loss and credit carryforwards ("tax attributes") and the tax effects of temporary differences between the tax basis of assets and liabilities and their reported amounts in the Consolidated Financial Statements are presented below. The 2017 impact of remeasurement of the U.S. net deferred tax liability resulting from the U.S. enactment of the Tax Act is included in the various components of deferred income taxes.

| Millions of U.S. Dollars | Retirement Benefit Obligation | Tax Attributes | Other | Total |
|---|---|---|---|---|
| **Deferred income tax assets:** | | | | |
| Balance at 1 January 2016 | $ 422 | $ 201 | $ 81 | $ 704 |
| (Charged)/credited to the income statement | (13) | (23) | (17) | (53) |
| (Charged)/credited to other comprehensive income | 29 | (3) | 2 | 28 |
| (Charged)/credited to equity | (1) | - - | - - | (1) |
| (Charged)/credited for deferred tax liabilities and current tax liabilities reclassification | (11) | (5) | (17) | (33) |
| Currency translation adjustment | (4) | (9) | - - | (13) |
| Balance at 31 December 2016 | $ 422 | $ 161 | $ 49 | 632 |
| Reclassification | | | | (452) |
| Net deferred taxes | | | | $ 180 |

| Millions of U.S. Dollars | Retirement Benefit Obligation | Tax Attributes | Other | Total |
|---|---|---|---|---|
| Balance at 1 January 2017 | $ 422 | $ 161 | $ 49 | $ 632 |
| (Charged)/credited to the income statement | (50) | (84) | 12 | (122) |
| (Charged)/credited to other comprehensive income | (47) | 2 | 23 | (22) |
| (Charged)/credited to equity | 2 | - - | - - | 2 |
| (Charged)/credited for deferred tax liabilities and current tax liabilities reclassification | (5) | 5 | 18 | 18 |
| Currency translation adjustment | 24 | 16 | - - | 40 |
| Balance at 31 December 2017 | $ 346 | $ 100 | $ 102 | 548 |
| Reclassification | | | | (417) |
| Net deferred taxes | | | | $ 131 |

| Millions of U.S. Dollars | Intangible Assets | Accelerated Tax Depreciation | Inventory | Other | Total |
|---|---|---|---|---|---|
| **Deferred income tax liabilities** | | | | | |
| Balance at 1 January 2016 | $ 226 | $ 1,519 | $ 162 | $ 426 | $ 2,333 |
| Charged/(credited) to the income statement | (77) | 411 | 114 | (71) | 377 |
| (Charged)/credited for deferred tax assets and current tax liabilities reclassification | 3 | 3 | (4) | (38) | (36) |
| Currency translation adjustment | - - | (11) | 2 | (1) | (10) |
| Balance at 31 December 2016 | $ 152 | $ 1,922 | $ 274 | $ 316 | 2,664 |
| Reclassification | | | | | (452) |
| Net deferred taxes | | | | | $ 2,212 |
| Balance at 1 January 2017 | $ 152 | $ 1,922 | $ 274 | $ 316 | $ 2,664 |
| Charged/(credited) to the income statement | (88) | (436) | (28) | (78) | (630) |
| Reclass (to)/from deferred tax assets | (2) | 10 | (9) | 16 | 15 |
| Currency translation adjustment | 1 | 48 | 5 | 5 | 59 |
| Balance at 31 December 2017 | $ 63 | $ 1,544 | $ 242 | $ 259 | 2,108 |
| Reclassification | | | | | (417) |
| Net deferred taxes | | | | | $ 1,691 |

At 31 December 2017 and 2016, we had realizable tax attributes available in the amount of $345 million and $523 million, respectively, for which a deferred tax asset was recognized at 31 December 2017 and 2016 of $100 million and $161 million, respectively.

Deferred tax assets are recognized for tax attributes to the extent that the realization of the related tax benefit through future taxable profits is probable. Prior to the close of each reporting period, management considers the weight of all evidence, both positive and negative, to determine if the deferred tax assets for tax attributes and deductible temporary differences for each jurisdiction can be valued at full value. We place greater weight on historical evidence over future predictions of our ability to utilize net deferred tax assets. We consider future reversals of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences, and taxable income in prior carryback year(s) if carryback is permitted under applicable law, as well as available prudent and feasible tax planning strategies that would, if necessary, be implemented to ensure realization of the net deferred tax asset.

The Company did not recognize deferred tax assets of $106 million and $99 million with respect to tax attributes amounting to $470 million and $449 million and other temporary differences for the years ended 31 December 2017 and 2016, respectively, which can be carried forward against future taxable income. During 2016, $26 million of unrecognized tax attributes relating to the Spain net deferred tax assets on operating losses were recognized. Our Spanish operations are no longer in a three year cumulative loss position. Management now expects to be able to fully utilize the operating losses within the next nine years.

The expiration periods of the unrecognized tax attributes and the related deferred tax asset as of 31 December 2017 are as follows:

| Millions of U.S. Dollars | Gross Tax Attributes | Deferred Tax on Tax Losses |
|---|---|---|
| In 2018 | $ 26 | $ 6 |
| In 2019 | 35 | 12 |
| In 2020 | -- | -- |
| In 2021 | 29 | 2 |
| In 2022 | 46 | 8 |
| Thereafter | 144 | 35 |
| Indefinite | 190 | 43 |
| | $ 470 | $ 106 |

As of 31 December 2017 and 2016, deferred taxes of $51 million and $47 million, respectively, have been provided on the unremitted earnings (to the extent such earnings are subject to taxation on their future remittance) of certain equity joint ventures and subsidiaries.

*Contingencies*— Certain income tax returns of LyondellBasell N.V. and its subsidiaries are under examination by tax authorities. These audits may result in proposed assessments by the tax authorities. The Company believes that its tax positions comply with applicable tax law and intends to defend its positions through appropriate administrative and judicial processes.

Out of the total current income tax payable of $954 million, $880 million is expected to be settled within the next 12 months.

## 27 Retirement Benefit Obligations

| Millions of U.S. Dollars | Note | 2017 | 2016 |
|---|---|---|---|
| Asset in the Consolidated Statement of Financial Position: | | | |
| Defined benefit pension plans | | $ 19 | $ 5 |
| Liabilities in the Consolidated Statement of Financial Position: | | | |
| Defined benefit pension plans | | $ 981 | $ 955 |
| Other post-employment benefit plans | | 342 | 343 |
| Total liabilities | | $ 1,323 | $ 1,298 |
| Net defined benefit liabilities | | $ 1,304 | $ 1,293 |
| Income statement charge: | 7 | | |
| Defined benefit pension plans | | $ 113 | $ 103 |
| Other post-employment benefit plans | | 15 | 18 |
| Total charges | | $ 128 | $ 121 |
| Remeasurements recognized in the Consolidated Statement of Other Comprehensive Income (loss) in the period (before tax): | | | |
| Defined benefit pension plans | | $ 90 | $ (108) |
| Other post-employment benefit plans | | 9 | (3) |
| Total recognized in Other Comprehensive Income in the period | | $ 99 | $ (111) |

We have defined benefit pension plans which cover employees in various countries. We also sponsor postretirement benefit plans other than pensions that provide medical benefits to certain of our U.S., Canadian, and French employees. In Italy and Germany, we provide other post-employment benefits such as early retirement and deferred compensation severance benefits. We use a measurement date of 31 December for all of our benefit plans.

The U.S. defined benefit pension plans are subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), including minimum funding requirements. The benefits under the U.S. defined benefit plans are determined either under a cash balance formula or another formula based on the participant’s earnings history or service or both. The benefit payments are made from a trust or insurance contract. The plans are administered by the Benefits Administrative Committee (“BAC”) and investment of the trust assets is directed by external investment managers hired and monitored by the Benefits Finance Committee (“BFC”). Both the BAC and BFC consist of individuals appointed by the Board of Directors of Lyondell Chemical Company, a wholly owned subsidiary of the Company.

The non-U.S. defined benefit pension plans are subject to the regulatory framework and minimum funding requirements of applicable jurisdictions in which the plans are operated. The benefits under the non-U.S. defined benefit pension plan are also generally calculated based on the participant’s earnings history or service or both. The benefit payments from certain non-U.S. plans are made from a trust or insurance contract; however, there are also a number of unfunded plans under which the Company meets each benefit payment obligation as it falls due. Management of non-U.S. plan assets is governed by local regulations and practice in each applicable jurisdiction.

***Defined benefit pension plans***

The amounts recognized in the Statement of Financial Position are determined as follows:

| **Millions of U.S. Dollars** | **31 December 2017** | **31 December 2016** |
|---|---|---|
| Present value of benefit obligations | $ (3,435) | $ (3,337) |
| Fair value of plan assets | 2,487 | 2,395 |
| Deficit of defined benefit pension plans | (948) | (942) |
| Effect of asset limitation and minimum funding requirement | (14) | (8) |
| Net liability | $ (962) | $ (950) |

The changes in the net defined benefit liability over the year are as follows:

| **Millions of U.S. Dollars** | **Present value of obligation** | **Fair value of plan assets** | **Total** | **Effect of asset limitation and minimum funding requirement** | **Total** |
|---|---|---|---|---|---|
| At 1 January 2016 | $ 3,383 | $ (2,512) | $ 871 | $ 9 | $ 880 |
| Current service cost | 70 | - - | 70 | - - | 70 |
| Past service cost | - - | - - | - - | - - | - - |
| Interest expense (income) | 120 | (88) | 32 | - - | 32 |
| Loss on settlements | 3 | - - | 3 | - - | 3 |
| | 193 | (88) | 105 | - - | 105 |
| Remeasurements: | | | | | |
| - Return on plan assets (excluding interest income) | - - | (148) | (148) | - - | (148) |
| - Effect of changes in demographic assumptions | (14) | - - | (14) | - - | (14) |
| - Effect of changes in financial assumptions | 308 | - - | 308 | - - | 308 |
| - Effect of changes in experience adjustments | (33) | - - | (33) | - - | (33) |
| - Effect of business combinations/ divestitures/transfers | (11) | - - | (11) | - - | (11) |
| - Changes in asset ceiling (excluding interest income) | | - - | - - | (1) | (1) |
| | 250 | (148) | 102 | (1) | 101 |
| Exchange differences | (72) | 50 | (22) | - - | (22) |
| Contributions: | | | | | |
| - Employers | - - | (114) | (114) | - - | (114) |
| - Plan participants | 1 | (1) | - - | - - | - - |
| Payments from plans: | | | | | |
| - Benefit payments | (168) | 168 | - - | - - | - - |
| - Settlement payments | (250) | 250 | | | |
| At 31 December 2016 | $ 3,337 | $ (2,395) | $ 942 | $ 8 | $ 950 |

| **Millions of U.S. Dollars** | **Present value of obligation** | **Fair value of plan assets** | **Total** | **Effect of asset limitation and minimum funding requirement** | **Total** |
|---|---|---|---|---|---|
| At 1 January 2017 | $ 3,337 | $ (2,395) | $ 942 | $ 8 | $ 950 |
| Current service cost | 76 | - - | 76 | - - | 76 |
| Past service cost | 11 | - - | 11 | - - | 11 |
| Interest expense (income) | 83 | (55) | 28 | - - | 28 |
| | 170 | (55) | 115 | - - | 115 |
| Remeasurements: | | | | | |
| - Return on plan assets (excluding interest income) | - - | (26) | (26) | - - | (26) |
| - Effect of changes in demographic assumptions | (12) | - - | (12) | - - | (12) |
| - Effect of changes in financial assumptions | (68) | - - | (68) | - - | (68) |
| - Effect of changes in experience adjustments | 12 | - - | 12 | - - | 12 |
| - Changes in asset ceiling (excluding interest income) | - - | - - | - - | 5 | 5 |
| | (68) | (26) | (94) | 5 | (89) |
| Exchange differences | 180 | (92) | 88 | 1 | 89 |
| Contributions: | | | | | |
| - Employers | - - | (103) | (103) | - - | (103) |
| - Plan participants | 1 | (1) | - - | - - | - - |
| Payments from plans: | | | | | |
| - Benefit payments | (185) | 185 | - - | - - | - - |
| - Settlement payments | - - | - - | - - | - - | - - |
| At 31 December 2017 | $ 3,435 | $ (2,487) | $ 948 | $ 14 | $ 962 |

During 2016, we offered a voluntary lump sum program to certain former employees in select U.S. pension plans. Payments of $250 million related to this offer were made from existing plan assets.

The defined benefit obligation and plan assets are composed by country as follows:

| | 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Millions of U.S. Dollars** | U.S. | Canada | France | Germany | Netherlands | U.K. | Other | Total |
| Present value of obligation | $ 1,924 | $ 88 | $ 175 | $ 453 | $ 568 | $ 195 | $ 32 | $ 3,435 |
| Fair value of plan assets | (1,680) | (102) | (18) | - - | (482) | (201) | (4) | (2,487) |
| Effect of asset limitation and minimum funding requirement | - - | 14 | - - | - - | - - | - - | - - | 14 |
| Total | $ 244 | $ - - | $ 157 | $ 453 | $ 86 | $ (6) | $ 28 | $ 962 |

| | 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Millions of U.S. Dollars** | U.S. | Canada | France | Germany | Netherlands | U.K. | Other | Total |
| Present value of obligation | $ 1,846 | $ 91 | $ 173 | $ 447 | $ 555 | $ 194 | $ 31 | $ 3,337 |
| Fair value of plan assets | (1,571) | (97) | (18) | - - | (527) | (177) | (5) | (2,395) |
| Effect of asset limitation and minimum funding requirement | - - | 6 | - - | - - | 2 | - - | - - | 8 |
| Total | $ 275 | $ - - | $ 155 | $ 447 | $ 30 | $ 17 | $ 26 | $ 950 |

As of 31 December 2017, the present value of the defined benefit obligation was comprised of approximately $1,609 million relating to active employees, $572 million relating to vested deferred members and $1,254 million relating to members in retirement. As of 31 December 2016, the present value of the defined benefit obligation was comprised of approximately $1,551 million relating to active employees, $570 million relating to vested deferred members and $1,216 million relating to members in retirement.

The expected contributions to be paid to the defined benefit pension plans and the multi-employer plan during 2018 are $107 million and $7 million, respectively.

Our goal is to manage pension investments over the longer term to achieve optimal returns with an acceptable level of risk and volatility. The assets are externally managed by professional investment firms and performance is evaluated continuously against specific benchmarks. The Company or other oversight bodies actively monitor investment results. Investments are well diversified such that the failure of any single position would not have a material effect on the overall level of assets.

The actual return on plan assets was a gain of $81 million (a gain of $236 million in 2016).

The major categories of plan assets as a percentage of total plan assets are:

| | **2017** | **2016** |
|---|---|---|
| Equity securities | 29% | 28% |
| Fixed income securities | 27% | 53% |
| U.S. government securities | 6% | 6% |
| Alternatives [(a)] | 18% | 13% |
| Insurance Arrangements | 20% | 0% |

(a) Include investments in real estate, hedge funds, private equity and insurance annuity contracts.

The plan assets are summarized as follows at 31 December:

| | **2017** | | | **2016** | | |
|---|---|---|---|---|---|---|
| **Millions of U.S. Dollars** | Quoted | Unquoted | Total | Quoted | Unquoted | Total |
| Common and preferred stock | | | | | | |
| Domestic | $ 181 | $ - - | $ 181 | $ 192 | $ - - | $ 192 |
| International | 229 | - - | 229 | 204 | - - | 204 |
| Fixed income securities | | | | | | |
| Corporate bonds | 208 | - - | 208 | 667 | - - | 667 |
| Municipal bonds | 13 | - - | 13 | 11 | - - | 11 |
| Foreign government issued bonds | 4 | - - | 4 | - - | - - | - - |
| Commingled funds | | | | | | |
| Domestic equity | 135 | - - | 135 | 105 | - - | 105 |
| International equity | 180 | - - | 180 | 172 | - - | 172 |
| Fixed income | 392 | - - | 392 | 275 | - - | 275 |
| Real estate | - - | 102 | 102 | - - | 100 | 100 |
| Hedge funds | - - | 253 | 253 | - - | 126 | 126 |
| Private equity | - - | 94 | 94 | - - | 77 | 77 |
| U.S. government securities | | | | | | |
| Agency securities | - - | - - | - - | 2 | - - | 2 |
| U.S. Treasury securities | 148 | - - | 148 | 136 | - - | 136 |
| Cash and cash equivalents | 39 | - - | 39 | 315 | - - | 315 |
| Insurance Arrangements | - - | 503 | 503 | - - | - - | - - |
| Total Pension Assets | $ 1,529 | $ 952 | $ 2,481 | $ 2,079 | $ 303 | $ 2,382 |

Our pension plans have not directly invested in securities of LyondellBasell Industries N.V. and there have been no significant transactions between any of the pension plans and the Company or related parties thereof.

During 2017, Netherlands Defined Benefits pension plans modified their insurance arrangements. As a result, the plan assets were transferred to the insurer for investment in its pooled asset portfolio, and treated as a nonparticipating insurance contract. The associated plan assets of $482 million underlying the insurance arrangement are measured using the vested benefit obligation. The transfer of plan assets resulted in a change in classification from quoted in 2016 for fixed income securities to unquoted in 2017. Furthermore, changes in the underlying discount rate assumption (2.10%), resulted in an $133 million reduction in reported actual return on plan assets and a loss in Other Comprehensive Income.

The weighted average assumptions used to determine benefit obligations were as follows:

| | 2017 | 2016 |
|---|---|---|
| Discount rate | 3.01% | 2.96% |
| Rate of salary increase | 3.27% | 3.25% |
| Rate of price inflation | 2.30% | 2.28% |
| Rate of pension increase | 1.91% | 1.89% |

The weighted average assumptions used to determine net pension cost were as follows:

| | 2017 | 2016 |
|---|---|---|
| Discount rate | 2.96% | 3.72% |
| Rate of salary increase | 3.25% | 3.38% |
| Rate of price inflation | 2.28% | 2.40% |
| Rate of pension increase | 1.89% | 1.94% |

The sensitivity analysis presented in the following table is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The sensitivity of the benefit obligations to changes in the discount rate is as follows:

| Millions of U.S. Dollars | Effects on benefit obligations in 2017 | Change % | Effects on benefit obligations in 2016 | Change % |
|---|---|---|---|---|
| Present value of obligations | $ 3,435 | | $ 3,337 | |
| Discount rate increases by 50 basis points | (215) | -6.3% | (215) | -6.4% |
| Discount rate decreases by 50 basis points | 238 | 6.9% | 243 | 7.3% |

Reasonably foreseeable changes to the other principal assumptions would not result in a material impact to the benefit obligations and the benefit costs of our pension plans.

The defined benefit pension plans and the other post-employment benefit plans are subject to a number of risks, the most significant of which are discussed below:

Market price risk—Significant changes in investment performance may result in corresponding increases and decreases in the value of the plan assets.

Changes in bond yields—A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

Inflation risk—Some of the pension plans' benefit arrangements are directly related to the salary levels so that a significant increase in salaries could lead to an increase in the pension obligations of the plans.

Life expectancy—Some plan obligations provide benefits for the lifetime of the member and so increases in life expectancy could result in an increase in the plans' liabilities.

*Multi-employer Plan*—The Company participates in a multi-employer pension arrangement Pensionskasse der BASF WaG V.VaG (Pensionskasse), which provides for benefits to the majority of our employees in Germany. The plan provides fixed, monthly retirement payments on the basis of the credits earned by the participating employees. The Company-specific plan information for the Pensionskasse is not publicly available and the plan is not subject to a collective-bargaining agreement. Up to a certain salary level, the benefit obligations are covered by contributions of the Company and the employees to the Pensionskasse. To the extent that the Pensionskasse is underfunded or for benefits owed but not subject to the Pensionskasse arrangement, the Company's future contributions to the plan or payments to retirees may increase. The Pensionskasse was overfunded in 2017 and 2016. To the extent that benefit obligations under the plan are funded by Pensionskasse, the related Company contributions are expensed as incurred. The amounts accrued for expected future benefits payable which are not funded by Pensionskasse was $57 million and $54 million at 31 December 2017 and 2016, respectively. The re-measurements recognized in the Consolidated Statement of Other Comprehensive Income are a gain of $5 million and a loss of $11 million at 31 December 2017 and 2016, respectively.

The amounts recognized in the Consolidated Statement of Income are as follows:

| | **31 December** | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Company contributions to Pensionskasse | $ 27 | $ 7 |

***Other post-employment benefits plans***

The amounts recognized in the Consolidated Statement of Financial Position are determined as follows:

| | **31 December** | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Present value of benefit obligations | $ 342 | $ 343 |
| Fair value of plan assets | - - | - - |
| Net liability | $ 342 | $ 343 |

The changes in the net defined benefit liability over the year are as follows:

| Millions of U.S. Dollars | Present value of obligation | Fair value of plan assets | Total |
|---|---|---|---|
| At 1 January 2016 | $ 340 | $ - - | $ 340 |
| Current service cost | 5 | - - | 5 |
| Interest expense | 13 | - - | 13 |
| | 18 | - - | 18 |
| Remeasurements: | | | |
| - Effect of changes in demographic assumptions | (2) | - - | (2) |
| - Effect of changes in financial assumptions | 16 | - - | 16 |
| - Effect of changes in experience adjustments | (12) | - - | (12) |
| | 2 | - - | 2 |
| Exchange differences | (1) | - - | (1) |
| Contributions: | | | |
| - Employers | - - | (16) | (16) |
| - Plan participants | 7 | (7) | - - |
| Payments from plans: | | | |
| - Benefit payments | (23) | 23 | - - |
| At 31 December 2016 | $ 343 | $ - - | $ 343 |

| Millions of U.S. Dollars | Present value of obligation | Fair value of plan assets | Total |
|---|---|---|---|
| At 1 January 2017 | $ 343 | $ - - | $ 343 |
| Current service cost | 5 | - - | 5 |
| Interest expense | 10 | - - | 10 |
| | 15 | - - | 15 |
| Remeasurements: | | | |
| - Effect of changes in demographic assumptions | (1) | - - | (1) |
| - Effect of changes in financial assumptions | 1 | - - | 1 |
| - Effect of changes in experience adjustments | (9) | - - | (9) |
| | (9) | - - | (9) |
| Exchange differences | 8 | - - | 8 |
| Contributions: | | | |
| - Employers | - - | (15) | (15) |
| - Plan participants | 7 | (7) | - - |
| Payments from plans: | | | |
| - Benefit payments | (22) | 22 | - - |
| At 31 December 2017 | $ 342 | $ - - | $ 342 |

The weighted average assumptions used to determine benefit obligations were as follows:

| | 2017 | 2016 |
|---|---|---|
| Discount rate | 3.44% | 3.61% |
| Rate of salary increase | 4.00% | 4.00% |
| Rate of price inflation | 1.70% | 1.60% |

The weighted average assumptions used to determine net benefit cost were as follows:

| | 2017 | 2016 |
|---|---|---|
| Discount rate | 3.61% | 3.98% |
| Rate of salary increase | 4.00% | 3.87% |
| Rate of price inflation | 1.60% | 1.90% |

The following table reflects the sensitivity of the benefit obligations of our other post-employment benefit plans to changes in the discount rate:

| Millions of U.S. Dollars | Effects on benefit obligations in 2017 | Change % | Effects on benefit obligations in 2016 | Change % |
|---|---|---|---|---|
| Present value of obligations | $ 342 | | $ 343 | |
| Discount rate increases by 50 basis points | (20) | -5.8% | (20) | -5.8% |
| Discount rate decreases by 50 basis points | 23 | 6.7% | 24 | 7.0% |

Reasonably foreseeable changes to the other principal assumptions would not result in a material impact to the benefit obligations and the benefit costs of our other post-employment benefit plans.

The weighted average duration of the defined benefit obligation for the defined benefit pension plans and other post-employment benefit plans is 13.1 years and 12.4 years, respectively.

As of 31 December 2017, future expected benefit payments by our defined benefit pension plans and other post-employment benefit plans which reflect expected future service, as appropriate, are as follows:

| Millions of U.S. Dollars | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Defined benefit pension plans | $ 212 | $ 206 | $ 199 | $ 194 | $ 191 | $ 933 | $ 1,935 |
| Other post-employment benefit plans | 20 | 21 | 22 | 22 | 22 | 106 | 213 |
| Total | $ 232 | $ 227 | $ 221 | $ 216 | $ 213 | $ 1,039 | $ 2,148 |

## 28 Trade and Other Payables

| Millions of U.S. Dollars | Note | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| Trade payables | | $ 2,327 | $ 2,085 |
| Amounts due to related parties | 31 | 568 | 444 |
| Social securities and other taxes | | 27 | 30 |
| Accrued expenses | | 1,223 | 942 |
| | | $ 4,145 | $ 3,501 |

## 29 Provisions

| Millions of U.S. Dollars | Asset Retirement Obligation | Environmental | Restructuring | Other | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2016** | $ 108 | $ 106 | $ 62 | $ 73 | $ 349 |
| Charged/(credited) to the income statement: | | | | | |
| Additional provisions | - - | 5 | - - | - - | 5 |
| Unused amounts reversed | (1) | - - | (7) | - - | (8) |
| Unwinding of discount | 2 | - - | - - | - - | 2 |
| Changes in estimate | - - | 15 | 4 | - - | 19 |
| Used during the period | (4) | (29) | (16) | (2) | (51) |
| Exchange differences | (3) | (2) | (1) | (1) | (7) |
| Other | 1 | - - | (10) | (9) | (18) |
| **At 31 December 2016** | $ 103 | $ 95 | $ 32 | $ 61 | $ 291 |
| **Of which:** | | | | | |
| Non-current | $ 93 | $ 82 | $ 20 | $ 25 | $ 220 |
| Current | 10 | 13 | 12 | 36 | 71 |
| **Closing balance** | $ 103 | $ 95 | $ 32 | $ 61 | $ 291 |
| **Balance at 1 January 2017** | $ 103 | $ 95 | $ 32 | $ 61 | $ 291 |
| Charged/(credited) to the income statement: | | | | | |
| Additional provisions | - - | - - | - - | 11 | 11 |
| Unused amounts reversed | (41) | (2) | - - | - - | (43) |
| Unwinding of discount | 2 | - - | - - | - - | 2 |
| Changes in estimate | - - | 14 | 6 | - - | 20 |
| Used during the period | (3) | (13) | (15) | (40) | (71) |
| Exchange differences | 11 | 8 | 3 | 3 | 25 |
| Other | 1 | - - | - - | - - | 1 |
| **At 31 December 2017** | $ 73 | $ 102 | $ 26 | $ 35 | $ 236 |

| Millions of U.S. Dollars | Asset Retirement Obligation | Environmental | Restructuring | Other | Total |
|---|---|---|---|---|---|
| **Of which:** | | | | | |
| Non-current | $ 64 | $ 90 | $ 12 | $ 21 | $ 187 |
| Current | 9 | 12 | 14 | 14 | 49 |
| **Closing balance** | $ 73 | $ 102 | $ 26 | $ 35 | $ 236 |

*Asset retirement obligations*—At some locations, we are contractually obligated to decommission our plants upon site exit. We have provided for the net present value of the estimated costs. Typically such costs are incurred within three years of a plant's closure.

*Environmental remediation*—Our accrued liability for future environmental remediation costs at current and former plant sites and other remediation sites totaled $102 million and $95 million for the years ended 31 December 2017 and 2016. At 31 December 2017, 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.

*Restructuring*—In connection with current restructuring activities, we recognized severance charges totaling $6 million and $(3) million for the years ended 31 December 2017 and 2016, respectively, for the separation of employees. The restructuring cost primarily relates to the suspension of operations at the Berre refinery in France and optimization of our operations in Europe and North America. We may incur additional costs related to these activities that cannot be reasonably estimated at this time.

## 30 Contingencies and Commitments

### Contingencies—Litigation and Other Matters

*Access Indemnity Demand*—In December 2010, one of our subsidiaries received demand letters from subsidiaries 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. Trial of the lawsuit was held in October 2016. In April 2017, the court awarded $7.2 million to the plaintiffs and denied all other relief, and in May 2017 the court issued its Final Judgment reflecting this ruling. With prejudgment interest included, the total Final Judgment is $12.6 million. The plaintiffs filed an appeal to the Federal District Court for the Southern District of New York, which largely affirmed the Final Judgement on January 24, 2018.

The Access Entities have also demanded $100 million in management fees under a 2007 management agreement between an Access subsidiary 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 subsidiary 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 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-subsidiary 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.

Although the court issued its Final Judgment in Weisfelner in May 2017 as noted above, it remains on appeal and subject to further potential appeal by the parties. Accordingly, we cannot at this time estimate the reasonably possible loss or range of loss that may be incurred.

*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 31 December 2017, 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.

**Commitments**

*Purchase commitments*—We have various purchase commitments for materials, supplies and services incident to the ordinary conduct of business, generally for quantities required for our businesses and at prevailing market prices. These commitments are designed to assure sources of supply and are not expected to be in excess of normal requirements. Our capital expenditure commitments at 31 December 2017 were in the normal course of business.

*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.

*Operating Leases*—We lease office facilities, railcars, vehicles, and other equipment under operating leases. Some leases contain renewal provisions, purchase options and escalation clauses.

The operating lease expense for 2017 and 2016 totaled $440 million and $426 million, respectively.

The aggregate future estimated purchase obligations and minimum lease payments under non-cancellable operating leases are as follows:

| | 2017 | | | |
|---|---|---|---|---|
| | Purchase Obligations | | | |
| **Millions of U.S. Dollars** | **Associates** | **Joint Ventures** | **Consolidated Entities** | **Operating Leases** |
| No later than 1 year | $ - - | $ 795 | $ 5,993 | $ 311 |
| Later than 1 year and no later than 5 years | - - | 3,417 | 9,475 | 617 |
| Later than 5 years | - - | 577 | 2,625 | 517 |
| Total | $ - - | $ 4,789 | $ 18,093 | $ 1,445 |

| | 2016 | | | |
|---|---|---|---|---|
| | Purchase Obligations | | | |
| **Millions of U.S. Dollars** | **Associates** | **Joint Ventures** | **Consolidated Entities** | **Operating Leases** |
| No later than 1 year | $ - - | $ 837 | $ 4,856 | $ 341 |
| Later than 1 year and no later than 5 years | - - | 3,646 | 10,057 | 816 |
| Later than 5 years | - - | - - | 2,966 | 493 |
| Total | $ - - | $ 4,483 | $ 17,879 | $ 1,650 |

## 31 Related Parties

The Company has related party transactions with subsidiaries of one of our major shareholders, Access Industries ("Access") and with the Company's associates and joint ventures.

*Access*—In December 2010, one of our subsidiaries received demand letters from subsidiaries of Access demanding (i) indemnity for losses, including attorney's fees and expenses, arising out of a pending lawsuit and (ii) payment of (a) $100 million in management fees under a 2007 management agreement between an Access subsidiary and the predecessor of LyondellBasell AF S.C.A. and (b) other unspecified amounts related to advice purportedly given in connection with financing and other strategic transactions. For additional information related to this matter, see Note 30.

*Associates and Joint Ventures*—The Company has related party transactions with its associates and joint ventures. These related party transactions include the sales and purchases of goods in the normal course of business as well as certain financing arrangements and are at arm's length basis. In addition, under contractual arrangements with certain of the Company's equity investees, we receive certain services, utilities and materials at some of our manufacturing sites and we provide certain services to our associates and joint ventures.

We have guaranteed €17 million ($21 million) of the indebtedness of one of our joint ventures as of 31 December 2017.

The related party transactions are summarized as follows:

| Millions of U.S. Dollars | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **The Company billed related parties for:** | | |
| Sale of products – | | |
| Joint Ventures | $ 13 | $ 12 |
| Associates | 26 | 46 |
| Shared services agreements – | | |
| Joint Ventures | 4 | 4 |
| Associates | 12 | 19 |
| **Related parties billed the Company for:** | | |
| Sale of products – | | |
| Joint Ventures | $ 879 | $ 817 |
| Associates | 607 | 502 |
| Shared services agreements – | | |
| Associates | 75 | 71 |
| **Year-end balances with related parties:** | | |
| Receivable from Joint Ventures | $ 4 | $ 3 |
| Receivable from Associates | - - | 5 |
| Loans from Associates and Joint Ventures | 1 | 3 |
| Payables to Joint Ventures | 228 | 210 |
| Payables to Associates | 96 | 89 |

## 32 Segment and Related Information

Our operations are managed through five operating segments, as shown below. Each of the 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 and co-products, polyethylene and polypropylene.

- Olefins and Polyolefins–Europe, Asia, International (“O&P–EAI”). Our O&P–EAI segment produces and markets olefins and co-products, polyethylene, and polypropylene, including polypropylene compounds.

- Intermediates and Derivatives (“I&D”). Our I&D segment produces and markets propylene oxide and its derivatives; oxyfuels and related products; and intermediate chemicals such as styrene monomer, acetyls, ethylene oxide and ethylene glycol.

- Refining. Our Refining segment refines heavy, high-sulfur crude oil and other crude oils of varied types and sources available on the U.S. Gulf Coast into refined products, including gasoline and distillates.

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

Our chief operating decision maker uses EBITDA as the primary measure for reviewing our segments' profitability and therefore, we have presented EBITDA for all segments. We define EBITDA as earnings before interest, taxes, 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. Accounting policies for internal reporting are based on U.S. GAAP and are materially similar to those described in Summary of Significant Accounting Policies (see Note 2), except for:

*Inventories*—The Group measures its inventories in accordance with the Last In, First Out ("LIFO") method, which is permitted under U.S. GAAP. According to IAS 2, *Inventories,* the LIFO method is prohibited under IFRS. Therefore, the inventories are measured using the First In, First Out ("FIFO") method for the Consolidated Financial Statements. This inventory measurement difference between the reportable segments and the consolidated information results in different costs of sale and net profit for the period.

*Employee Benefits*—Under U.S. GAAP, ASC Topic 715, *Compensation–Retirement Benefits* ("ASC 715") requires the interest expense component of pension expense to be calculated as the product of the defined benefit liability and the discount rate. Such interest expense is netted against interest income resulting from the expected rate of return on plan assets applied to the market value of assets. The expected rate of return on plan assets is a longer term rate, and is expected to change less frequently that the discount rate, reflecting long-term market expectations, rather than current fluctuations in market conditions. Under IFRS, in accordance with *IAS 19, Employee Benefits,* the Company recognizes a net interest expense (income), which is the product of the net defined benefit liability (asset) and the discount rate, as a component of its pension expense on defined benefit plans.

Under ASC 715, past service cost and actual return on plan assets in excess of expected return are initially recorded in other comprehensive income and subsequently recognized in earnings over the average remaining service period of the participants to the extent it exceeds the "corridor". The corridor is defined as the greater of 10 percent of the accumulated projected benefit obligation or the fair value of the plan assets as of the beginning of the year. Under IFRS, the Company recognizes immediately past service cost and net interest expense (income) as discussed above in the Consolidated Statement of Income. Actual return of plan assets in excess of recognized interest income is permanently recorded in other comprehensive income.

*Other*—Amongst others, there are minor differences between IFRS and U.S. GAAP with respect to IFRS 11, *Joint Arrangements* as well as discontinued operations, the subsequent measurement of asset retirement obligations, capitalization of development costs related to Research and development and amortization of debt issuance costs. If material, these differences are separately disclosed in the Consolidated Financial Statements reconciliation.

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

| Millions of U.S. Dollars | O&P – Americas | O&P – EAI | I&D | Refining | Technology | Other | Total |
|---|---|---|---|---|---|---|---|
| | **Year Ended 31 December 2017** | | | | | | |
| Sales and other operating revenues: | | | | | | | |
| Customers | $ 7,592 | $ 12,040 | $ 8,346 | $ 6,165 | $ 341 | $ - - | $ 34,484 |
| Intersegment | 2,808 | 223 | 126 | 683 | 109 | (3,949) | - - |
| | 10,400 | 12,263 | 8,472 | 6,848 | 450 | (3,949) | 34,484 |
| Depreciation and amortization expense | 439 | 239 | 279 | 177 | 40 | - - | 1,174 |
| Other income, net | 40 | 138 | 1 | 2 | - - | (2) | 179 |
| Income from equity investments | 42 | 271 | 8 | - - | - - | - - | 321 |
| Capital expenditures | 753 | 206 | 332 | 213 | 32 | 11 | 1,547 |
| EBITDA | 2,982 | 2,282 | 1,490 | 157 | 223 | - - | 7,134 |

| Millions of U.S. Dollars | O&P – Americas | O&P – EAI | I&D | Refining | Technology | Other | Total |
|---|---|---|---|---|---|---|---|
| | **Year Ended 31 December 2016** | | | | | | |
| Sales and other operating revenues: | | | | | | | |
| Customers | $ 6,757 | $ 10,404 | $ 7,085 | $ 4,559 | $ 378 | $ - - | $ 29,183 |
| Intersegment | 2,320 | 175 | 141 | 576 | 101 | (3,313) | - - |
| | 9,077 | 10,579 | 7,226 | 5,135 | 479 | (3,313) | 29,183 |
| Depreciation and amortization expense | 362 | 229 | 269 | 163 | 41 | - - | 1,064 |
| Other income (expense), net | 63 | 42 | - - | 8 | - - | (2) | 111 |
| Income from equity investments | 59 | 302 | 6 | - - | - - | - - | 367 |
| Capital expenditures | 1,376 | 261 | 333 | 224 | 36 | 13 | 2,243 |
| EBITDA | 2,877 | 2,067 | 1,333 | 72 | 262 | (9) | 6,602 |

The difference between sales reported and the IFRS income statement and the difference between capital expenditures reported and the IFRS statement of cash flows are caused by the difference in accounting for joint arrangements under IFRS and US GAAP as explained in this note.

Reconciliation of EBITDA for reportable segments to the Company’s Consolidated Statement of Income is summarized in the following table:

| | 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| EBITDA: | | |
| Total segment EBITDA | $ 7,134 | $ 6,611 |
| Other EBITDA | - - | (9) |
| | 7,134 | 6,602 |
| **Less:** | | |
| Depreciation and amortization expense | (1,174) | (1,064) |
| Other income (expense), net | (179) | (111) |
| Income from equity investments | (321) | (367) |
| **U.S. GAAP operating income** | 5,460 | 5,060 |
| **Measurement difference:** | | |
| Inventory valuation | 300 | 487 |
| Pension expense | (41) | 23 |
| **Classification difference:** | | |
| Other income (expense), net | 33 | 115 |
| Joint Arrangements | 133 | 90 |
| Other | (23) | (6) |
| **Total Company's operating profit** | $ 5,862 | $ 5,769 |

The following geographic data for revenues are based upon the delivery location of the product and for long lived assets, the location of the assets:

| | Revenue | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| The Netherlands | $ 1,069 | $ 727 |
| United States | 16,618 | 13,962 |
| Germany | 2,746 | 2,474 |
| France | 1,306 | 1,055 |
| Italy | 1,352 | 1,203 |
| Mexico | 1,504 | 1,026 |
| Other | 9,997 | 8,836 |
| Total revenue | $ 34,592 | $ 29,283 |

| Millions of U.S. Dollars | Long-Lived Assets | |
|---|---|---|
| | 2017 | 2016 |
| United States | $ 8,767 | $ 8,236 |
| Germany | 1,451 | 1,321 |
| The Netherlands | 782 | 618 |
| France | 569 | 584 |
| Italy | 353 | 324 |
| Mexico | 198 | 175 |
| Other | 1,571 | 1,458 |
| Total | $ 13,691 | $ 12,716 |

Long-lived assets include Property, plant and equipment, Intangible assets excluding goodwill and Investments in associates and joint ventures.

## 33 Subsequent Events

On February 15, 2018, we reached a definitive agreement to acquire A. Schulman, a global supplier of high-performance plastic compounds, composites and powders. The acquisition builds upon LyondellBasell N.V.'s already existing platform in this space to create a premier Advanced Polymer Solutions business with broad geographic reach, leading technologies and a diverse product portfolio. Under the terms of the agreement, LyondellBasell N.V. will acquire A. Schulman for total consideration of $2.25 billion. We will purchase 100 percent of A. Schulman common stock for $42 per share and one contingent value right per share, and assume outstanding debt and certain other obligations. The contingent value rights generally will provide a holder with an opportunity to receive certain net proceeds, if any are recovered, from certain ongoing litigation and government investigations relating to A. Schulman's Citadel and Lucent acquisitions.

The proposed acquisition, which has been unanimously approved by the respective boards of LyondellBasell N.V. and A. Schulman, is subject to customary closing conditions, including regulatory approvals and approval by A. Schulman shareholders. The acquisition is expected to close in the second half of 2018. We are using cash-on-hand to finance the acquisition.

On 23 February 2018 the Supervisory Board authorized the company's Management Board to declare an interim dividend of $1.00 per share. The interim dividend will be paid on 12 March 2018 to shareholders on record as of 5 March 2018.

**Appendix - A**

| Entity Name | Jurisdiction of Formation |
|---|---|
| ***Subsidiaries*** | |
| Basell (Thailand) Holdings B.V. | Netherlands |
| Basell Advanced Polyolefins (Dalian) Co. Ltd. | China |
| Basell Advanced Polyolefins (Suzhou) Co. Ltd. | China |
| Basell Advanced Polyolefins (Thailand) Company Ltd. | Thailand |
| Basell Arabie Investissements SAS | France |
| Basell Asia Pacific Limited | Hong Kong |
| Basell Bayreuth Chemie GmbH | Germany |
| Basell Benelux B.V. | Netherlands |
| Basell Canada Inc. | Ontario |
| Basell Chemie Köln GmbH | Germany |
| Basell Deutschland GmbH | Germany |
| Basell Europe Holdings B.V. | Netherlands |
| Basell France S.A.S. | France |
| Basell Germany Holdings GmbH | Germany |
| Basell Holdings Middle East GmbH | Germany |
| Basell Ibérica Poliolefinas Holdings S.L. | Spain |
| Basell International Holdings B.V. | Netherlands |
| Basell International Trading FZE | United Arab Emirates |
| Basell Italia S.r.l | Italy |
| Basell Mexico, S. de R.L. de C.V. | Mexico |
| Basell Moyen Orient Investissements SAS | France |
| Basell North America Inc. | Delaware |
| Basell Poliolefinas Comercial Espagnola S.L. | Spain |
| Basell Poliolefinas Iberica S.L. | Spain |
| Basell Poliolefinas Ltda. | Brazil |
| Basell Poliolefinas, S. de R.L. de C.V. | Mexico |
| Basell Poliolefine Italia S.r.l. | Italy |
| Basell Polyolefin Istanbul Ticaret Limited Sirketi | Turkey |
| Basell Polyolefine GmbH | Germany |
| Basell Polyolefines France S.A.S. | France |
| Basell Polyolefins Company BVBA | Belgium |
| Basell Polyolefins India Private Limited | India |
| Basell Polyolefins Korea Ltd. | Korea |
| Basell Polyolefins UK Limited | United Kingdom |
| Basell Sales & Marketing Company B.V. | Netherlands |
| Basell Service Company B.V. | Netherlands |
| Basell Slovakia s.r.o. | Slovakia |
| Basell Trading (Shanghai) Co. Ltd. | Shanghai |
| Basell UK Holdings Limited | United Kingdom |
| Basell UK Ltd. | United Kingdom |
| Compagnie de Distribution des Hydrocarbures SAS | France |

**LyondellBasell Industries N.V.**

| Entity Name | Jurisdiction of Formation |
| --- | --- |
| Compagnie Petrochimique de Berre SAS | France |
| Complejo Industrial Taqsa A.I.E. | Spain |
| Equistar Bayport, LLC | Delaware |
| Equistar Chemicals, LP | Delaware |
| Equistar GP, LLC | Delaware |
| Equistar LP, LLC | Delaware |
| Equistar Mont Belvieu Corporation | Delaware |
| Equistar Olefins G.P., LLC | Delaware |
| Equistar Olefins Offtake G.P., LLC | Delaware |
| Equistar Olefins Offtake LP | Delaware |
| GuangZhou Basell Advanced Polyolefins Co., Ltd. | China |
| Hisane A.I.E. | Spain |
| Houston Refining LP | Delaware |
| Industriepark Münchsmünster GmbH & Co. KG | Germany |
| Industriepark Münchsmünster Verwaltungsgesellschaft mbH | Germany |
| LaPorte Methanol Company, L.P. | Delaware |
| Limited Liability Company "LyondellBasell Polyolefins" | Tolyatti, Samara Region |
| LYB (Barbados) SRL | Barbados |
| LYB Americas Finance Company LLC | Delaware |
| LYB Americas Finance Holdings B.V. | Netherlands |
| LYB Bermuda Ltd. | Bermuda |
| LYB DISC Inc. | Delaware |
| LYB Equistar Holdings LLC | Delaware |
| LYB Export Holdings Limited | United Kingdom |
| LYB Exports Inc. | Delaware |
| LYB Finance Company B.V. | Netherlands |
| LYB Financial Services LP | Delaware |
| LYB International Finance B.V. | Netherlands |
| LYB International Finance II B.V. | Netherlands |
| LYB International Finance III LLC | Delaware |
| LYB Ireland 2 Limited | Ireland |
| LYB Ireland Limited | Ireland |
| LYB Luxembourg III S.à .r.l. | Luxembourg |
| LYB Luxembourg S.à r.l. | Luxembourg |
| LYB Receivables LLC | Delaware |
| LYB Trading Company B.V. | Netherlands |
| LYB Treasury Services Ltd. | United Kingdom |
| Lyondell Asia Holdings Limited | Hong Kong |
| Lyondell Asia Pacific, Ltd. | Delaware |
| Lyondell Centennial Corp. | Delaware |
| Lyondell Chemical Company | Delaware |
| Lyondell Chemical Espana Co. | Delaware |
| Lyondell Chemical Europe, Inc. | Delaware |
| Lyondell Chemical International Company | Delaware |

**LyondellBasell Industries N.V.**

| Entity Name | Jurisdiction of Formation |
|---|---|
| Lyondell Chemical Overseas Services, Inc. | Delaware |
| Lyondell Chemical Pan America, Inc. | Delaware |
| Lyondell Chemical Products Europe LLC | Delaware |
| Lyondell Chemical Properties, L.P. | Delaware |
| Lyondell Chemical Technology 1 Inc. | Delaware |
| Lyondell Chemical Technology Management, Inc. | Delaware |
| Lyondell Chemical Technology, L.P. | Delaware |
| Lyondell Chemie (PO-11) B.V. | Netherlands |
| Lyondell Chemie (POSM) B.V. | Netherlands |
| Lyondell Chemie Nederland B.V. | Netherlands |
| Lyondell Chimie France LLC | Delaware |
| Lyondell Chimie France SAS | France |
| Lyondell China Holdings Limited | Hong Kong |
| Lyondell Europe Holdings Inc. | Delaware |
| Lyondell France Holdings SAS | France |
| Lyondell Greater China Holdings Limited | Hong Kong |
| Lyondell Greater China Trading Limited | China |
| Lyondell Greater China, Ltd. | Delaware |
| Lyondell Japan, Inc. | Japan |
| Lyondell PO-11 C.V. | Netherlands |
| Lyondell POJVGP, LLC | Delaware |
| Lyondell POJVLP, LLC | Delaware |
| Lyondell POTechGP, Inc. | Delaware |
| Lyondell POTechLP, Inc. | Delaware |
| Lyondell Refining Company LLC | Delaware |
| Lyondell Refining I LLC | Delaware |
| Lyondell South Asia Pte Ltd | Singapore |
| LyondellBasell Acetyls Holdco, LLC | Delaware |
| LyondellBasell Acetyls, LLC | Delaware |
| LyondellBasell Advanced Polyolefins Mexico, S.A. de C.V. | Mexico |
| LyondellBasell Australia (Holdings) Pty Ltd | Australia |
| LyondellBasell Australia Pty Ltd | Australia |
| LyondellBasell Brasil Ltda. | Brazil |
| LyondellBasell China Holdings B.V. | Netherlands |
| LyondellBasell Covestro Manufacturing Maasvlakte V.O.F. | Netherlands |
| LyondellBasell F&F Holdco, LLC | Delaware |
| LyondellBasell Finance Company | Delaware |
| LyondellBasell Holdings France SAS | France |
| LyondellBasell Industries Holdings B.V. | Netherlands |
| LyondellBasell Investment LLC | Delaware |
| LyondellBasell Malaysia Sdn. Bhd. | Malaysia |
| LyondellBasell Methanol GP, Inc. | Delaware |
| LyondellBasell Methanol LP, Inc. | Delaware |
| LyondellBasell Polyolefin (Shanghai) Co., Ltd. | China |

**LyondellBasell Industries N.V.**

| Entity Name | Jurisdiction of Formation |
| --- | --- |
| LyondellBasell Services France S.A.S. | France |
| LyondellBasell Subholdings B.V. | Netherlands |
| LyondellBasell Syrma SAS | France |
| LyondellBasell Taiwan Co., Ltd. | Taiwan |
| LyondellBasell Transportation Company LLC | Delaware |
| OE Insurance Ltd | Bermuda |
| Olefins JV, LP | Delaware |
| PO JV, LP | Delaware |
| PO Offtake, LP | Delaware |
| POSM II Limited Partnership, L.P. | Delaware |
| POSM II Properties Partnership LLC | Delaware |
| Société du Noir d'Acétylene de l'Aubette SAS | France |
| Technology JV, LP | Delaware |
| TRV Thermische Rückstandsverwertung GmbH & Co. KG | Germany |
| TRV Thermische Rückstandsverwertung Verwaltungs-GmbH | Germany |

**LyondellBasell Industries N.V.**

| Entity Name | Jurisdiction of Formation |
|---|---|
| ***Investments in Associates and Joint Ventures*** | |
| Basell Orlen Polyolefins Sp. Z.o.o. | Poland |
| Basell Orlen Polyolefins Sprzedaz Sp. Z.o.o. | Poland |
| Poly Pacific Pty. Ltd. | Australia |
| Poly Pacific Polymers Sdn. Bhd. | Malaysia |
| Saudi Polyolefins Company | Kingdom of Saudi Arabia |
| Saudi Ethylene & Polyethylene Company Ltd. | Kingdom of Saudi Arabia |
| Al-Waha Petrochemicals Ltd. | Kingdom of Saudi Arabia |
| PolyMirae Co. Ltd. | South Korea |
| HMC Polymers Company Ltd. | Thailand |
| PTT Chemical PCL | Thailand |
| Rayong Olefins Co., Ltd. | Thailand |
| Société des Stockages Petroliers du Rhône SA | France |
| BKV Beteiligungs- und Kunststoffverwertungs-gesellschaft mbH | Germany |
| EPS Ethylen-Pipeline-Süd Geschäftsführungs GmbH | Germany |
| EPS Ethylen-Pipeline-Süd GmbH & Co. KG | Germany |
| Infraserv GmbH & Co Knapsack KG | Germany |
| Infraserv GmbH & Co. Höchst KG | Germany |
| RIGK GmbH Gesellschaft zur Rückführung industrieller and gewerblicher Kunstoffverpackungen mbH | Germany |
| Brindisi Servizi Generali S.c.a.r.l. | Italy |
| I.F.M. S.c.a.r.l. | Italy |
| Sociedad Espanola De Materiales Plasticos, Semap, S.A. | Spain |
| Indelpro S.A. de C.V. | Mexico |
| Ningbo ZRCC Lyondell Chemical Co. Ltd. | China |
| Ningbo ZRCC Lyondell Chemical Marketing Co. | China |
| NOC Asia Ltd. | Hong Kong |
| PD Glycol LP | Texas |
| San Jacinto Rail Limited | Delaware |
| Oil Casualty Insurance, Ltd. | Bermuda |
| Oil Insurance Limited | Bermuda |

# Corporate Financial Statements

**LyondellBasell Industries N.V.**

## CORPORATE STATEMENT OF INCOME

| | Year Ended 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Income from Group companies after tax | $ 4,829 | $ 3,908 |
| Other income (expense), net of tax | 235 | 284 |
| Profit attributable to the equity holders | $ 5,064 | $ 4,192 |

**LyondellBasell Industries N.V.**

## CORPORATE STATEMENT OF FINANCIAL POSITION

**Before appropriation of profit**

| **Millions of U.S. Dollars** | **Note** | **31 December 2017** | **2016** |
|---|---|---|---|
| *Non-current assets* | | | |
| Goodwill | 2 | $ 326 | $ 317 |
| Investments in Group companies | 2 | 10,341 | 11,291 |
| Long-term loans to Group companies | 6 | 7,984 | 10,460 |
| Deferred tax assets | | 3 | -- |
| Other assets | | -- | 8 |
| Total non-current assets | | 18,654 | 22,076 |
| *Current assets* | | | |
| Receivables from Group companies | | 41 | 55 |
| Prepaid expense and other current assets | | 1 | 16 |
| Short term loans to Group companies | 6 | 3,000 | 1,000 |
| Cash and cash equivalents | 3 | 38 | 27 |
| Total current assets | | 3,080 | 1,098 |
| **Total assets** | | **$ 21,734** | **$ 23,174** |
| *Equity* | 4 | | |
| Share capital | | $ 31 | $ 31 |
| Share premium | | 10,024 | 10,009 |
| Legal reserves | | (743) | (900) |
| Retained earnings | | 9,928 | 7,128 |
| Profit for the year | | 5,064 | 4,192 |
| Treasury shares | | (15,749) | (14,945) |
| Total equity attributable to equity holders | | 8,555 | 5,515 |
| *Non-current liabilities* | | | |
| Deferred tax liability | | - - | 20 |
| Long-term debt | 5 | 3,907 | 4,857 |
| Other long-term liabilities | | 41 | 16 |
| Deferred income | 7 | 2,494 | 4,909 |
| Total non-current liabilities | | 6,442 | 9,802 |
| *Current liabilities* | | | |
| Bank overdraft | | 38 | 2 |
| Short-term loans from Group companies | 6 | 6,592 | 7,740 |
| Other liabilities | | 107 | 115 |
| Total current liabilities | | 6,737 | 7,857 |
| **Total equity and liabilities** | | **$ 21,734** | **$ 23,174** |

## Notes to the Corporate Financial Statements

### 1 General

LyondellBasell Industries N.V. (the "Company" or "LyondellBasell N.V."), together with its consolidated subsidiaries (collectively, the "Group") applies the option provided in Section 2:362 (8) of the Dutch Civil Code for the principles applicable to the recognition and measurement of assets and liabilities and the determination of results for its Corporate Financial Statements. Accordingly, the principles for recognition and measurement of assets and liabilities and determination of results (hereinafter referred to as "accounting policies") of the Company's Corporate Statement of Financial Position are the same as those applied for the Consolidated Financial Statements under International Financial Reporting Standards ("IFRS"), as adopted by the European Union, for the periods ended 31 December 2017 and 2016, except as noted below:

- Investments in subsidiaries and other companies in which the Company has control are measured at net asset value, which is based on the net book value of assets, provisions and liabilities, in accordance with the accounting policies applied in the Consolidated Financial Statements.

- Goodwill presented in the Corporate Statement of Financial Position reflects the goodwill of subsidiaries directly acquired by the Company and is measured in accordance with the accounting policies of the Consolidated Financial Statements. Goodwill of subsidiaries indirectly owned (via intermediate subsidiaries) is recognized as part of the net asset value of such intermediate subsidiary.

At 31 December 2017 and 2016, the Company had thirteen and respectively fourteen full-time employees all located outside of The Netherlands.

### 2 Goodwill and Investments

| Millions of U.S. Dollars | Goodwill | Investments |
|---|---|---|
| **Balance at 1 January 2016** | $ 319 | $ 11,670 |
| Income from investments, net of tax | - - | 2,300 |
| Equity settled transactions | - - | 53 |
| Equity contributions | | 60 |
| Dividends received | - - | (2,702) |
| Additions to other reserves | (2) | (90) |
| **Balance at 31 December 2016** | **$ 317** | **$ 11,291** |
| **Balance at 1 January 2017** | $ 317 | $ 11,291 |
| Income from investments, net of tax | - - | 2,414 |
| Equity settled transactions | - - | 48 |
| Dividends received | - - | (3,645) |
| Additions to other reserves | 9 | 233 |
| **Balance at 31 December 2017** | $ 326 | $ 10,341 |

*Equity settled transactions*—Equity settled transactions represent share-based compensation granted to directors and employees.

*Dividends received*—The Company received a cash dividend of $3,263 million from LyondellBasell Subholdings B.V. during the period ended December 31, 2017.

During 2017, the Company received a liquidation dividend of $50 million from LyondellBasell Luxemburg II S.a.r.l.

During 2017, the Company received a dividend of $332million from LyondellBasell Luxemburg III S.a.r.l.

*Additions to other reserves*—Primarily represents movements for Currency translation differences and remeasurements of post-employment benefits obligations, which are non-distributable.

## 3 Cash and Cash Equivalents

The Company's cash and cash equivalents are held by its in-house banking unit, LYB Finance Company B.V. The interest rate on the account with LYB Finance Company B.V. is subject to a floating interest rate, based on current market rates. At 31 December 2017, the lending rates were 1.21%and less than one basis point for the U.S. dollar and euro accounts, respectively, and the borrowing rates were 2.61% and 1.25% for the U.S. dollar and euro accounts, respectively. At 31 December 2016, the lending rates were 0.47% and less than one basis point for the U.S. dollar and euro accounts, respectively, and the borrowing rates were 1.86% and 1.25% for the U.S. dollar and euro accounts, respectively.

## 4 Equity Attributable to Equity Holders

For a breakdown of Equity attributable to equity holders, reference is made to the Consolidated Statement of Changes in Group Equity and the notes thereto.

*Share capital*—The Company's authorized share capital totals €51 million divided into 1,275 million ordinary shares of €0.04 each. The issued and fully paid up share capital amounted to €23 million divided in 567 million ordinary shares.

*Legal reserves*—Movements in legal reserves (net of tax), which cannot be distributed freely, are presented below:

| Millions of U.S. Dollars | Currency Translation Differences | Group Companies | Total |
|---|---|---|---|
| **Balance at 1 January 2016** | $ (881) | $ 133 | $ (748) |
| Net current period change | 14 | (166) | (152) |
| **Balance at 31 December 2016** | $ (867) | $ (33) | $ (900) |
| **Balance at 1 January 2017** | $ (867) | $ (33) | $ (900) |
| Net current period change | 130 | 27 | 157 |
| **Balance at 31 December 2017** | $ (737) | $ (6) | $ (743) |

The item "Group Companies" relates to the "*Wettelijke reserve deelnemingen,*" which is required by Dutch Law. This reserve relates to any legal or economic restrictions on the ability of group companies to transfer funds to the parent in the form of dividends.

*Retained earnings*—Movements in retained earnings are as follows:

| | 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Opening balance | $ 7,128 | $ 4,262 |
| Dividend distribution | (1,415) | (1,395) |
| Previous year results | 4,192 | 4,211 |
| Additions to legal reserves | 21 | 49 |
| Tax credits related to share-based awards | 2 | - - |
| Other | - - | 1 |
| Closing balance | $ 9,928 | $ 7,128 |

Pursuant to Dutch Law, limitations exist relating to the distribution of share capital of $31 million ($31 million in 2016) and Legal reserves of ($743) million at 31 December 2017 (($900) million in 2016).

In general, gains related to currency translation differences cannot be distributed as part of shareholders' equity as they form part of the legal reserves protected under Dutch Law. By their nature, losses related to currency translation differences and "group companies" reduce shareholders' equity and thereby distributable amounts.

The reconciliation of the Company's retained earnings to those of the Group reflected in the Group's Consolidated Statement of Financial Position is as follows:

| | 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Retained earnings as per Consolidated Statement of Financial Position | $ 15,342 | $ 11,691 |
| Non-distributable reserves of Group companies | (350) | (371) |
| Profit for the year | (5,064) | (4,192) |
| Retained earnings as per Corporate Statement of Financial Position | $ 9,928 | $ 7,128 |

**Proposed Appropriation of Result**

The Management Board, with the approval of the Supervisory Board, paid an aggregate dividend of $3.55 per share from its 2017 annual accounts. This included an interim dividend of $0.85 per share paid to shareholders of record on 6 March 2017; and an interim dividend of $0.90 per share paid to shareholders of record on 5 June 2017, 6 September 2017 and 5 December 2017. These dividend payments, totaling $1,415 million, have been charged to retained earnings.

The Management Board and the Supervisory Board will propose that the general meeting approve the dividends already paid, as described above.

## 5 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%.

*5% and 5.75% Senior Notes*—In April 2012, the Company issued $2,000 million aggregate principal amount of 5% senior notes due 2019 and $1,000 million aggregate principal amount of 5.75% senior notes due 2024, each at an issue price of 100%. In March 2017, we redeemed $1,000 million aggregate principal amount of our 5% senior notes due 2019.

*6% Senior Notes*—In November 2011, the Company issued $1,000 million of 6% senior notes due 2021. These notes, which mature on 15 November 2021, bear interest at 6% annum.

## 6 Group Company Loans

The following table summarizes, as of 31 December 2017, the maturities of our Long-Term Loan Receivable from our Subsidiary and Loans Payable to our Subsidiaries for the next five years and thereafter:

| Millions of U.S. Dollars | Total | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter |
|---|---|---|---|---|---|---|---|
| **Non-current receivables:** | | | | | | | |
| Senior note receivable due July 2020, $2,000 million | 2,000 | - - | - - | 2,000 | - - | - - | - - |
| Senior note receivable due July 2025, $2,000 million | 2,000 | - - | - - | - - | - - | - - | 2,000 |
| Senior note receivable due July 2026, $500 million | 500 | - - | - - | - - | - - | - - | 500 |
| Note receivable due April 2019, $1,974 million | 1,974 | - - | 1,974 | - - | - - | - - | - - |
| Note receivable due April 2024, $986 million | 510 | - - | - - | - - | - - | - - | 510 |
| Note receivable due November 2021, $1,000 million | 1,000 | - - | - - | - - | 1,000 | - - | - - |
| Total non-current receivables | $ 7,984 | $ - - | $ 1,974 | $ 2,000 | $ 1,000 | $ - - | $ 3,010 |
| | | | | | | | |
| **Current receivables:** | | | | | | | |
| Senior note receivable due July 2018, $2,000 million | $ 2,000 | $ 2,000 | $ - - | $ - - | $ - - | $ - - | $ - - |
| Senior note due December 2018, $1,000million | 1,000 | 1,000 | - - | - - | - - | - - | - - |
| Total non-current receivables | $ 3,000 | $ 3,000 | $ - - | $ - - | $ - - | $ - - | $ - - |
| | | | | | | | |
| **Current payables:** | | | | | | | |
| Loan payable due October 2018, $2,000 million | $ 1,369 | $ 1,369 | $ - - | $ - - | $ - - | $ - - | $ - - |
| Loan payable due February 2019, $7,000 million | 3,205 | 3,205 | - - | - - | - - | - - | - - |
| Loan payable due July 2018, $2,000 million | 2,000 | 2,000 | - - | - - | - - | - - | - - |
| Other | 18 | 18 | - - | - - | - - | - - | - - |
| Total current payables | $ 6,592 | $ 6,592 | $ - - | $ - - | $ - - | $ - - | $ - - |

*Long-Term Loan Receivable from our Subsidiary*—In July 2014, we and our wholly owned subsidiary, LyondellBasell Finance Company, entered into five separate notes with an aggregate principal amount of $7,500 million in lieu of a $7,500 million inter-company dividend. These notes consist of a $1,000 million 3.09% senior note due 30 December 2018; a $2,000 million 3.75% senior note due 1 July 2018; a $2,000 million 4.63% senior note due 1 July 2020; a $2,000 million 6.14% senior note due 1 July 2025 and a $500 million 6.30% senior note due 1 July 2026.

In April 2012, we and our indirectly wholly owned subsidiary, Lyondell Chemical Company ("Lyondell Chemical"), entered into a $1,974 million note receivable. The note bears per annum interest at 5.47% and matures on 15 April 2019. Interest is due semi-annually on 15 April and 15 October. In July 2012, we amended the terms of the note to include early prepayment restrictions and reduce the applicable interest. Lyondell Chemical may prepay all or part of the note at a specified redemption premium plus accrued and unpaid interest on the redemption date. At 31 December 2017 and 2016, the outstanding balance was $1,974 million.

In April 2012, we and Lyondell Chemical entered into another $986 million note receivable. The note bears per annum interest at 6.14% and matures on 15 April 2024. Interest is due semi-annually on 15 April and 15 October. In July 2012, we amended the terms of the note to include early prepayment restrictions and reduce the applicable interest. Lyondell Chemical may prepay all or part of the note at a specified redemption premium plus accrued and unpaid interest on the redemption date. In December 2017 an amount of $476 million was repaid. As at 31 December 2017 the balance remaining on the loan is $510 million.

In November 2011, we and Lyondell Chemical entered into a $1,000 million note receivable. The note bears interest at 6.45% per annum and matures on 15 November 2021. Interest is due semi-annually on 15 May and 15 November. In July 2012, the terms of the note were amended to include early prepayment restrictions. Lyondell Chemical may prepay all or part of the note at a specified redemption premium plus accrued and unpaid interest on the redemption date. At 31 December 2017 and 2016, the outstanding balance was $1,000 million.

*Loans Payable to our Subsidiaries*— In October 2015, we and our indirect, wholly owned subsidiary, LYB Treasury Services Ltd., entered into a $2,000 million loan, which matures on 6 October 2018. The loan is repayable on demand. The loan bears interest at a variable rate, which is set for a period of 3 months, using the U.S. LIBOR rate, plus 125 basis points. At 31 December 2017, the outstanding balance was $1,369 million.

In February 2015, we and our indirect, wholly owned subsidiary, LYB Americas Finance Company, entered into a $5,000 million loan, which matures on 1 February 2017. The loan is repayable on demand. The interest rate is equal to the Federal short-term rate determined under section 1274(d) of the Internal Revenue Code. In January 2017 the maximum amount was increased from $5,000 million to $7,000 million and the repayment date extended to 1 February 2019. All other terms of the loan remain unchanged. At 31 December 2017, the outstanding balance was $3,205 million.

In July 2014, we and our indirect, wholly owned subsidiary, LYB Americas Finance Company, entered into a $2,000 million loan, which matures on 31 July 2018. The loan is repayable on demand. The interest rate is equal to the Federal short-term rate determined under section 1274(d) of the Internal Revenue Code. At 31 December 2017, the outstanding balance was $2,000 million.

Movements in Group company loans are presented below:

| **Millions of U.S. Dollars** | **Group Companies Loans** | |
|---|---|---|
| | **Receivables** | **Payables** |
| **Balance at 1 January 2016** | $ 11,460 | $ 6,532 |
| Borrowings | - - | 1,208 |
| Balance at 31 December 2016 | $ 11,460 | $ 7,740 |
| Of which: | | |
| Non-current | $ 10,460 | $ - - |
| Current | 1,000 | 7,740 |
| **Balance at 31 December 2016** | $ 11,460 | $ 7,740 |
| **Balance at 1 January 2017** | $ 11,460 | $ 7,740 |
| Borrowings | - - | - - |
| Discharge and assignments | (476) | (1,148) |
| Balance at 31 December 2017 | $ 10,984 | $ 6,592 |
| Of which: | | |
| Non-current | $ 7,984 | $ - - |
| Current | 3,000 | 6,592 |
| **Balance at 31 December 2017** | $ 10,984 | $ 6,592 |

## 7 Deferred Income

Deferred income represents the excess dividend paid by LyondellBasell Finance Company over its net asset value. This amount is reduced as the Company recognizes its share of LyondellBasell Finance Company's income. After the Deferred income is fully recognized, we will record our earnings from LyondellBasell Finance Company as additions to Investments in Group companies.

The movement in Deferred income, summarized below, represents our share of LyondellBasell Finance Company profit.

| **Millions of U.S. Dollars** | **2017** |
|---|---|
| **Balance at 1 January 2017** | $ 4,909 |
| Income from Group Companies, net of tax | (2,415) |
| **Balance at 31 December 2017** | $ 2,494 |

## 8 Commitments and Contingencies not included in the Balance Sheet

The Company has entered into guarantee agreements with counterparties on behalf of some of its subsidiaries for the supply of raw materials. At 31 December 2017 and 2016, the total guaranteed amount was $25.1 billion and $23.1 billion, respectively.

The Company receives an annual fee of 0.13% for guarantees of aggregate USD 6 billion and an annual fee between 0.17% and 0.19% for all other outstanding guarantees as of 31 December 2017. Fee levels applied in 2016 were an annual fee of 0.13% for guarantees of aggregate USD 7 billion and an annual fee of 0.17% for all other outstanding guarantees.

The Company is jointly and severally liable, as intended in article 403, Book2, of the Dutch Civil Code for the following subsidiaries in the Consolidated Financial Statements:

- LyondellBasell Subholdings B.V.
- LYB Americas Finance Holdings B.V.
- LYB International Finance B.V.
- LYB International Finance II B.V.
- Basell International Holdings B.V.
- Basell Europe Holdings B.V.
- LyondellBasell Industries Holdings B.V.
- LYB Trading Company B.V.
- LyondellBasell China Holdings B.V.

## 9 Independent auditor's Fee

The fees listed below relate to the procedures applied to the Company and its consolidated group entities by PricewaterhouseCoopers Accountants N.V., The Netherlands, the external independent auditor as referred to in section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta), as well as by other Dutch and foreign-based PricewaterhouseCoopers individual partnerships and legal entities, including their tax services and advisory groups.

| | Year Ended 31 December | |
|---|---|---|
| **Millions of U.S. Dollars** | **2017** | **2016** |
| Financial statements audit fees | $ 9.0 | $ 8.4 |
| Other assurance fees | 0.6 | 1.6 |
| All other fees | 0.2 | 0.2 |
| | $ 9.8 | $ 10.2 |

The total audit fees of PricewaterhouseCoopers Accountants N.V, The Netherlands, charged to the Company and its consolidated group entities amounted to $2.0 million and $2.1 million, respectively, in 2017 and 2016.

The financial statements audit fees above include the aggregate fees billed for professional services rendered for the audit of LyondellBasell Industries N.V.'s annual financial statements, annual statutory financial statements of subsidiaries and services that are normally provided by the independent auditor in connection with these audits. This category also includes services such as comfort letters, statutory audits, attest services, consents and assistance with and review of documents.

The other assurance fees include the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Group's financial statements and are not reported under audit services. This category includes fees related to the performance of audits of benefit plans, agreed-upon or expanded audit procedures relating to accounting records required to respond to or comply with financial, accounting or regulatory reporting matters and consultations as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by regulatory or standard setting bodies.

Other fees relate to permitted services that are not included in the above categories.

## 10 Directors' Remuneration

Reference is made to Note 9, Remuneration of the Management Board and Supervisory Board Members, of the Consolidated Financial Statements.

London, 5 April 2018

| **Supervisory Board** | **Management Board** |
|---|---|
| Robert Gwin | Bhavesh (Bob) V. Patel |
| Jacques Aigrain | Thomas Aebischer |
| Lincoln Benet | Daniel Coombs |
| Jagjeet Bindra | James Guilfoyle |
| Robin Buchanan | Jeffrey A. Kaplan |
| Stephen F. Cooper | |
| Nance K. Dicciani | |
| Bruce A. Smith | |
| Rudy M.J. van der Meer | |
| Claire S. Farley | |
| Isabella D. Goren | |

## Other Information

### Proposed Appropriation of Result

Profit remaining after the appropriation to reserves shall be at the disposal of the general meeting (article 22 sub 3 Articles of Association). The Board of Management, with the approval of the Supervisory Board, may also appropriate the complete profit to the reserves.

### Legal Structure

The list of our subsidiaries and associates is available at the Chamber of Commerce in Rotterdam, The Netherlands.

# *Independent auditor's report*

To: the general meeting and supervisory board of LyondellBasell Industries N.V.

## *Report on the financial statements 2017*

### *Our opinion*

In our opinion:

- The consolidated financial statements of LyondellBasell Industries N.V. and its subsidiaries (together: 'the Group') give a true and fair view of the financial position of the Group as at 31 December 2017, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;

- LyondellBasell Industries N.V.'s ('the Company') corporate financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying 2017 financial statements of LyondellBasell Industries N.V.. The financial statements include the consolidated financial statements of the Group and the Company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the following statements for 2017: the consolidated statement of income and the consolidated statements of other comprehensive income, the consolidated statements of changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The Company financial statements comprise:

- the corporate statement of financial position as at 31 December 2017;
- the corporate statement of income for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the corporate financial statements.

### *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of LyondellBasell Industries N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

## ***Our audit approach***

### *Overview and context*

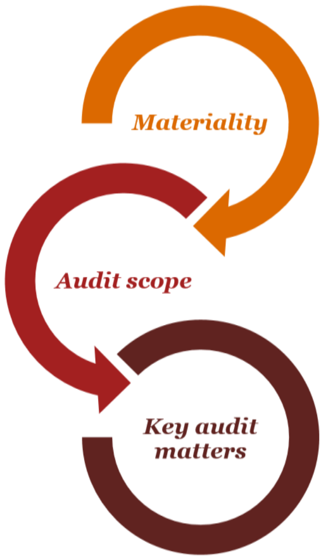
LyondellBasell Industries N.V. is a worldwide manufacturer of chemicals and polymers, a refiner of crude oil, a significant producer of gasoline blending components and a developer and licensor of technologies for production of polymers. The business operations are subject to the cyclical and volatile nature of the chemicals industry which causes fluctuations in the results from period to period and over business cycles. The chemicals industry has historically experienced periods of capacity shortages, causing prices and profit margins to increase, followed by periods of excess capacity, resulting in oversupply and declining prices and profit margins. The volatility of results affected our determination of materiality as set out in the materiality section of our report. The Company's primary accounting framework is US GAAP, which is used for the Company's filings with the United States Securities and Exchange Commission. In order to comply with Dutch statutory requirements, the Company applies IFRS, as adopted by the European Union, as its accounting framework for the consolidated financial statements. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In footnote 3 of the financial statements the Company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Areas of focus, that were not considered to be key audit matters were capitalization of assets, inventory costing, revenue recognized at or near year-end and derivative financial instruments. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

As a result of the December 2017 Tax Cuts and Jobs Act (the "Tax Act"), the Company recorded an $849 million income tax benefit. Given the timing of the enactment, the significance of the tax legislation change, and the quantitative significance of the benefit recorded, we considered this to be a key audit matter as set out in the key audit matter section of our report below.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which were needed for the audit. We included specialists in the areas of actuarial expertise, tax and financial instruments in our team.

The outline of our audit approach was as follows:




***Materiality***

- Overall materiality: USD 280 million.

***Audit scope***

- We conducted audit work in 3 locations: the Netherlands, United States of America and Germany.
- Within these 3 locations we performed full-scope audit procedures on 4 components and specific audit procedures for 11 other components.
- We performed site visits to 2 locations: United States of America and Germany.
- Audit coverage: 85% of consolidated revenue, 85% of consolidated total assets, and 82% of consolidated profit before tax.

***Key audit matter***

- Consideration of the 2017 "Tax Cuts and Jobs Act" enactment

## *Materiality*

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

| | |
|---|---|
| ***Overall group materiality*** | USD 280 million (2016: USD 300 million). |
| ***Basis for determining materiality*** | We used our professional judgment to determine overall materiality. As a basis for our judgment we used 5% of the three-year average of profit before income tax based on the US GAAP consolidated financial statements as filed on Form 10-K. |
| ***Rationale for benchmark applied*** | We used profit before income tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the Company.<br><br>The Company uses two accounting frameworks for calculating profit before tax. The financial reporting frameworks that have been applied in the preparation of the financial statements are IFRS as adopted by the European Union, and Part 9 of Book 2 of the Dutch Civil Code ('Dutch GAAP') and the Accounting principles generally accepted in the United States of America (US GAAP). US GAAP has been applied for the quarterly and annual earnings releases, and the financial statements filed with the United States Securities and Exchange Commission. Both US GAAP and IFRS are applied in the daily operational accounting |

| | |
|---|---|
| | records. In addition, we believe that the users of financial information of the Company are primarily interested in the financial information based on US GAAP. Any user of these EU-IFRS and Dutch GAAP financial statements would likely not review this information in isolation; if users did review this information we expect it would likely be in supplement to the US GAAP financial informationThe result of the benchmark applied using US GAAP figures is materially consistent with that which would be applied using the IFRS figures. Therefore, for these financial statements (EU-IFRS and Dutch GAAP) we have applied a generally accepted auditing practice benchmark on the profit before tax based on US GAAP.<br><br>We have applied a three-year average of the profit before income tax as the Company's operations are subject to the cyclicality and volatility of the chemicals industry, hence operating results may vary substantially over the years. |
| ***Component materiality*** | To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between USD 45 million and USD 280 million. |

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above USD 14 million (2016: USD 15 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## *The scope of our group audit*

LyondellBasell Industries N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of LyondellBasell Industries N.V.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the group engagement team and by each component auditor.

The group audit primarily focused on two significant components located in the United States of America and the Netherlands, and two additional components, located in Germany and the Netherlands, which were subjected to audits of their complete financial information as those components are individually financially significant to the group. Eleven components, accounted for in the United States of America, Germany, the Netherlands, Poland and Saudi Arabia were subjected to specific risk-focused audit procedures as they include significant or higher risk areas.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

| | |
|---|---|
| ***Revenue*** | 85% |
| ***Total assets*** | 85% |
| ***Profit before tax*** | 82% |

None of the remaining components represented more than 4% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For group entities located in the Netherlands the group engagement team performed the audit work. For components located in Germany and the United States of America we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

The group engagement team visits the component teams on a periodic basis. In the current year the group audit team visited locations in Germany and the United States of America to review their audit files and reports about their findings and to hold meetings with local management and the component audit teams.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

## *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. In this section, we described the key audit matter and included a summary of the audit procedures we performed on this matter.

The key audit matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on this matter or on specific elements of the financial statements. Any comments or observations we make on the results of our procedures should be read in this context.

As a result of the significant attention given to the 2017 Tax Cuts and Jobs Act, this consideration and the impact on the financial statements of this act was seen as a key audit matter in 2017.

| ***Key audit matter*** | ***How our audit addressed the matter*** |
|---|---|
| ***Consideration of the 2017 "Tax Cuts and Jobs Act" enactment***<br>*Note 12*<br>In order to determine the impact on the 2017 financial statements, management assessed the December 2017 Tax Cuts and Jobs Act ("Tax Act") for all applicable regulations and the need for additional disclosure.<br><br>Based on their assessment, management recalculated the deferred tax assets and liabilities and concluded that they were impacted by the change in tax rate. This resulted in a tax benefit of $849 million for 2017. | With respect to the assessment of management concerning the impact of the Tax Act, the procedures we performed specifically to address this key audit matter included the following:<br><br>We gained an understanding of management's process and tested the operating effectiveness of key controls which addressed the risks associated with changes in tax law and regulations, as well as management's process for calculating and recording any necessary adjustments. We found these controls to be designed properly and operating effectively to support our intended reliance. |

| *Key audit matter* | *How our audit addressed the matter* |
|---|---|
| Based upon the timing of the enactment, the significance of the tax legislation changes, and the quantitative significance of the net benefit recorded, we determined this to be a key audit matter. | With the assistance of the tax specialists, we reviewed the Tax Act and assessed the appropriateness of management's process and conclusions regarding the impact of the Tax Act. We tested the underlying deferred tax assets and liabilities prior to remeasurement and evaluated these for reasonableness. We also verified the application of the enacted tax rate for each deferred tax asset and liability based upon the period in which they are expected to reverse and we tested the mathematical accuracy of the net tax benefit calculation. Our procedures performed did not identify any material exceptions. |

# *Report on the other information included in the annual report*

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the management board;
- governance and compliance paragraph, including the report by the supervisory board;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

# *Report on other legal and regulatory requirements*

## *Our appointment*

- We were appointed as auditors of LyondellBasell Industries N.V. following the passing of a resolution by the shareholders at the annual meeting held on 24 May 2017. The supervisory board had proposed the auditor appointment in their meeting held 15 February 2017. The appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 8 years.

# Responsibilities for the financial statements and the audit

## Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS, with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

## Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Utrecht, 5 April 2018
PricewaterhouseCoopers Accountants N.V.

A.C.M. van der Linden RA

# *Appendix to our auditor's report on the financial statements 2017 of LyondellBasell Industries N.V.*

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

## *The auditor's responsibilities for the audit of the financial statements*

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.