

LyondellBasell Industries N.V.
Form 10-Q
April 26, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2013

or

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

Commission file number: **001-34726**

LYONDELLBASELL INDUSTRIES N.V.

(Exact name of registrant as specified in its charter)

The Netherlands
(State or other jurisdiction of incorporation or organization)
Stationsplein 45

98-0646235
(I.R.S. Employer Identification No.)

3013 AK Rotterdam

The Netherlands

(Address of principal executive offices)

31 10 275 5500

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

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

The registrant had 575,507,208 ordinary shares, 0.04 par value, outstanding at April 24, 2013 (excluding 2,922,957 treasury shares).

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LYONDELLBASELL INDUSTRIES N.V.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****LYONDELLBASELL INDUSTRIES N.V.****CONSOLIDATED STATEMENTS OF INCOME**

Millions of dollars, except earnings per share	Three Months Ended March 31,	
	2013	2012
Sales and other operating revenues:		
Trade	\$ 10,414	\$ 11,447
Related parties	255	287
	10,669	11,734
Operating costs and expenses:		
Cost of sales	9,153	10,532
Selling, general and administrative expenses	213	223
Research and development expenses	36	39
	9,402	10,794
Operating income	1,267	940
Interest expense	(71)	(99)
Interest income	2	4
Other income (expense), net	6	(1)
Income from continuing operations before equity investments, reorganization items and income taxes	1,204	844
Income from equity investments	59	46
Reorganization items	--	5
Income from continuing operations before income taxes	1,263	895
Provision for income taxes	357	301
Income from continuing operations	906	594
Income (loss) from discontinued operations, net of tax	(6)	5
Net income	900	599
Net loss attributable to non-controlling interests	1	1
Net income attributable to the Company shareholders	\$ 901	\$ 600
Earnings per share:		
Net income (loss) attributable to the Company shareholders		
Basic:		
Continuing operations	\$ 1.57	\$ 1.03
Discontinued operations	(0.01)	0.01
	\$ 1.56	\$ 1.04
Diluted:		
Continuing operations	\$ 1.56	\$ 1.03

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Discontinued operations	(0.01)	0.01
	\$ 1.55	\$ 1.04

See Notes to the Consolidated Financial Statements.

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Millions of dollars	Three Months Ended	
	2013	March 31, 2012
Net income	\$ 900	\$ 599
Other comprehensive income, net of tax		
Defined benefit pension and other postretirement plans:		
Prior service cost arising during the period	(2)	1
Reclassification adjustment for amortization of prior service cost included in net income	1	-
Reclassification adjustment for net actuarial loss included in net income	7	6
Defined benefit pension and other postretirement plans, before tax	6	7
Income tax expense	3	2
Defined benefit pension and other postretirement plans, net of tax	3	5
Foreign currency translations adjustment:		
Unrealized net change arising during the period	(193)	203
Income tax benefit	(2)	(1)
Foreign currency translations, net of tax	(191)	204
Total other comprehensive income (loss)	(188)	209
Comprehensive income	712	808
Comprehensive loss attributable to non-controlling interest	1	1
Comprehensive income attributable to the Company shareholders	\$ 713	\$ 809

See Notes to the Consolidated Financial Statements.

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

Millions, except shares and par value data	March 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,879	\$ 2,732
Restricted cash	6	5
Accounts receivable:		
Trade, net	3,685	3,720
Related parties	193	184
Inventories	5,270	5,075
Prepaid expenses and other current assets	622	570
Total current assets	12,655	12,286
Property, plant and equipment, net	7,779	7,696
Investments and long-term receivables:		
Investment in PO joint ventures	401	397
Equity investments	1,607	1,583
Other investments and long-term receivables	421	383
Goodwill	582	591
Intangible assets, net	999	1,038
Other assets	233	246
Total assets	\$ 24,677	\$ 24,220

See Notes to the Consolidated Financial Statements.

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

Millions, except shares and par value data	March 31, 2013	December 31, 2012
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 1	\$ 1
Short-term debt	115	95
Accounts payable:		
Trade	2,481	2,440
Related parties	736	845
Accrued liabilities	1,217	1,157
Deferred income taxes	557	558
Total current liabilities	5,107	5,096
Long-term debt	4,307	4,304
Other liabilities	2,306	2,327
Deferred income taxes	1,277	1,314
Commitments and contingencies		
Stockholders' equity:		
Ordinary shares, 0.04 par value, 1,275 million shares authorized, 575,418,103 and 575,216,709 shares outstanding, respectively		
	31	31
Additional paid-in capital	10,367	10,351
Retained earnings	1,946	1,274
Accumulated other comprehensive loss	(599)	(411)
Treasury stock, at cost, 3,012,063 and 3,206,033 ordinary shares, respectively	(104)	(106)
Total Company share of stockholders' equity	11,641	11,139
Non-controlling interests	39	40
Total equity	11,680	11,179
Total liabilities and equity	\$ 24,677	\$ 24,220

See Notes to the Consolidated Financial Statements.

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

Millions of dollars	Three Months Ended	
	March 31,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 900	\$ 599
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	253	237
Asset impairments	- -	22
Equity investments		
Equity income	(59)	(46)
Distribution of earnings, net of tax	9	14
Deferred income taxes	8	153
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(22)	(374)
Inventories	(242)	346
Accounts payable	(17)	80
Contributions to pension plans	(26)	(10)
Income tax refunds	2	244
Prepaid expenses and other current assets	(115)	(274)
Other, net	108	(78)
Net cash provided by operating activities	799	913
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(391)	(228)
Restricted cash	(1)	44
Other	(16)	(1)
Net cash used in investing activities	(408)	(185)
Cash flows from financing activities:		
Dividends paid	(229)	(143)
Other, net	(5)	3
Net cash used in financing activities	(234)	(140)
Effect of exchange rate changes on cash	(10)	17
Increase in cash and cash equivalents	147	605
Cash and cash equivalents at beginning of period	2,732	1,065
Cash and cash equivalents at end of period	\$ 2,879	\$ 1,670

See Notes to the Consolidated Financial Statements.

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

<u>Millions of dollars</u>	Ordinary Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders Equity	Non- Controlling Interests
	Issued	Treasury					
Balance, December 31, 2012	\$ 31	\$ (106)	\$ 10,351	\$ 1,274	\$ (411)	\$ 11,139	\$ 40
Net income (loss)	--	--	--	901	--	901	(1)
Other comprehensive loss	--	--	--	--	(188)	(188)	--
Share-based compensation	--	2	16	--	--	18	--
Cash dividends (\$0.40 per share)	--	--	--	(229)	--	(229)	--
Balance, March 31, 2013	\$ 31	\$ (104)	\$ 10,367	\$ 1,946	\$ (599)	\$ 11,641	\$ 39

See Notes to the Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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LYONDELLBASELL INDUSTRIES N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of Presentation

LyondellBasell Industries N.V., together with its consolidated subsidiaries (collectively LyondellBasell N.V.), is a worldwide manufacturer of chemicals and polymers, a refiner of crude oil, a significant producer of gasoline blending components and a developer and licensor of technologies for production of polymers and other chemicals. When we use the terms Company, we, us, our or similar words, unless the context otherwise requires, we are referring to LyondellBasell N.V.

The accompanying consolidated financial statements are unaudited and have been prepared from the books and records of LyondellBasell N.V. in accordance with the instructions to Form 10-Q and Rule 10-1 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States (U.S. GAAP) for complete financial statements. In our opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the LyondellBasell Industries N.V. Annual Report on Form 10-K for the year ended December 31, 2012.

2. Accounting and Reporting Changes
Recently Adopted Guidance

Disclosures about Offsetting Assets and Liabilities In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. This ASU requires entities to provide disclosures to reconcile differences in the offsetting requirements under U.S. GAAP and IFRS. The new disclosure requirements mandate that entities disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments similar to a master netting arrangement. In addition, the standard requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements. In January 2013, the FASB issued ASU 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, which clarifies the scope of the offsetting disclosures required by ASU 2011-11, which was effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. Retrospective presentation for all comparative periods presented is required. The adoption of this amendment did not materially impact the presentation of our consolidated financial statements.

Comprehensive Income In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, which requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income (AOCI) by component. In addition, an entity is required to present, either in the financial statements or in the accompanying footnotes, amounts reclassified out of AOCI by the respective line items of net income. For public entities, this ASU was effective for reporting periods beginning after December 15, 2012. See Note 15 for the disclosures required by this ASU.

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. Discontinued Operations**

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

Millions of dollars	Three Months Ended March 31,	
	2013	2012
Sales and other operating revenues	\$ 5	\$ 145
Income (loss) from discontinued operations before income taxes	\$ (6)	\$ 6
Provision for income taxes	- -	1
Income (loss) from discontinued operations, net of tax	\$ (6)	\$ 5

Income (loss) from discontinued operations for the three months ended March 31, 2012 includes a \$42 million benefit related to the liquidation of LIFO-valued inventory.

The following table summarizes the assets and liabilities of the Berre refinery that are included in the Consolidated Balance Sheets. These amounts were derived from historical financial information and adjusted to exclude intercompany receivables and payables between the Berre refinery and other subsidiaries of the Company.

Millions of dollars	March 31, 2013	December 31, 2012
Current assets related to discontinued operations:		
Accounts receivable trade, net	\$ 6	\$ 16
Inventories	27	34
Prepaid expenses and other current assets	5	- -
Total current assets related to discontinued operations	\$ 38	\$ 50
Current liabilities related to discontinued operations:		
Accounts payable trade	\$ 12	\$ 19
Accrued liabilities	13	21
Total current liabilities related to discontinued operations	\$ 25	\$ 40
Long-term liabilities related to discontinued operations:		
Other liabilities	\$ 44	\$ 48
Total long-term liabilities related to discontinued operations	\$ 44	\$ 48

Future cash inflows will arise from the liquidation of on-hand raw materials, intermediate and refined product inventories.

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Future cash outflows will occur for activities associated with exit or disposal activities and for payments made to severed employees. Exit and disposal related costs are expected to be incurred over the next two years. Payments to the affected employees are expected to be substantially complete by 2019.

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

Millions of dollars	Three Months Ended	
	March 31,	
	2013	2012
Balance - January 1	\$ 59	\$ 130
Accretion expense	2	--
Cash payments	(10)	--
Effect of exchange rate changes	(2)	1
Balance - March 31	\$ 49	\$ 131

4. Accounts Receivable

Our allowance for doubtful accounts receivable, which is reflected in the Consolidated Balance Sheets as a reduction of accounts receivable, totaled \$34 million and \$29 million at March 31, 2013 and December 31, 2012, respectively.

5. Inventories

Inventories consisted of the following components:

Millions of dollars	March 31,	December 31,
	2013	2012
Finished goods	\$ 3,242	\$ 3,194
Work-in-process	272	266
Raw materials and supplies	1,756	1,615
Total inventories	\$ 5,270	\$ 5,075

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. Property, Plant and Equipment and Intangible Assets**

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

<u>Millions of dollars</u>	March 31, 2013	December 31, 2012
Land	\$ 300	\$ 304
Manufacturing facilities and equipment	8,420	8,335
Construction in progress	1,146	987
Total property, plant and equipment	9,866	9,626
Less accumulated depreciation	(2,087)	(1,930)
Property, plant and equipment, net	\$ 7,779	\$ 7,696

Depreciation and amortization expense is summarized as follows:

<u>Millions of dollars</u>	Three Months Ended March 31,	
	2013	2012
Property, plant and equipment	\$ 210	\$ 194
Investment in PO joint ventures	8	7
Emission allowances	17	17
Various contracts	11	10
In-process research and development costs	2	5
Software costs	4	4
Other	1	-
Total depreciation and amortization	\$ 253	\$ 237

Asset Retirement Obligations The liabilities recognized for all asset retirement obligations were \$106 million for each of the periods ended March 31, 2013 and December 31, 2012.

Table of Contents**LYONDELLBASELL INDUSTRIES N.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. Investment in PO Joint Ventures**

Changes in our investment in the U.S. and European PO joint ventures for 2013 and 2012 are summarized below:

<u>Millions of dollars</u>	U.S. PO Joint Venture	European PO Joint Venture	Total PO Joint Ventures
Investments in PO joint ventures - January 1, 2013	\$ 262	\$ 135	\$ 397
Cash contributions	7	9	16
Depreciation and amortization	(6)	(2)	