# LYONDELLBASELL AF S.C.A.

## Management Report for the

## Year Ended December 31, 2007

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## FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this report are "forward-looking statements" within the meaning of the U.S. federal securities laws. Forward-looking statements can be identified by words such as "estimate," "believe," "expect," "anticipate," "plan," "budget" or other words that convey the uncertainty of future events or outcomes. Many of these forward-looking statements have been based on expectations and assumptions about future events that may prove to be inaccurate. While management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond LyondellBasell Industries' control. LyondellBasell Industries' actual results (including the results of its joint ventures) could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to:

- the availability, cost and price volatility of raw materials and utilities,
- the supply/demand balances for LyondellBasell Industries' and its joint ventures' products, and the related effects of industry production capacities and operating rates,
- uncertainties associated with the U.S. and worldwide economies, including those due to political tensions in the Middle East and elsewhere,
- legal, tax and environmental proceedings,
- the cyclical nature of the chemical and refining industries,
- LyondellBasell Industries' ability to service its substantial indebtedness,
- available cash and access to capital markets,
- technological developments, and LyondellBasell Industries' ability to develop new products and process technologies,
- operating interruptions (including leaks, explosions, fires, weather-related incidents, mechanical failure, unscheduled downtime, supplier disruptions, labor shortages or other labor difficulties, transportation interruptions, spills and releases and other environmental risks),
- current and potential governmental regulatory actions in the U.S. and in other countries,
- terrorist acts and international political unrest,
- competitive products and pricing pressures,
- LyondellBasell Industries' ability to implement its business strategies, including the integration of Lyondell, and
- risks and uncertainties posed by international operations, including foreign currency fluctuations.

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

All forward-looking statements in this report are qualified in their entirety by the cautionary statements contained in this section and elsewhere in this report. See "Operating and Financial Review," "Business" and "Risk Factors," and for additional information about factors that may affect LyondellBasell Industries' businesses and operating results (including those of its joint ventures). These factors are not necessarily all of the important factors that could affect LyondellBasell Industries and its joint ventures. Use caution and common sense when considering these forward-looking statements. LyondellBasell Industries does not intend to update these statements unless securities laws require it to do so.

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

## INDUSTRY AND OTHER INFORMATION

The data included in this report regarding the chemical and refining industries, product capacity and ranking, including LyondellBasell Industries' capacity positions, the capacity positions of its competitors for certain products and expected rates of demand, is based on independent industry publications, reports from government agencies or other published industry sources and LyondellBasell Industries' estimates. These estimates are based on information obtained from customers, distributors, suppliers, trade and business organizations and other contacts in the markets in which LyondellBasell Industries operates and managements' knowledge and experience. These estimates involve assumptions, risks and uncertainties and are subject to change based on various factors, including those discussed under "Forward-Looking Statements" and "Risk Factors."

## SECTION 1: OPERATING AND FINANCIAL REVIEW

### 1.1. Overview

LyondellBasell Industries AF S.C.A. (formerly known as Basell AF S.C.A.), organized under the laws of the Grand Duchy of Luxembourg, changed its name to LyondellBasell Industries AF S.C.A. ("LyondellBasell") in December 2007 following the acquisition of Lyondell Chemical Company ("Lyondell").

Prior to the acquisition of Lyondell, LyondellBasell was an industry leader in polyolefins production, marketing and technology ("former Basell group" or simply "Basell").

As a result of the acquisition of Lyondell, LyondellBasell is one of the world's largest polymers, petrochemicals and fuels production and marketing companies. LyondellBasell is the global leader in polyolefins technology, production and marketing and a leader in propylene oxide ("PO") and derivatives production and marketing. LyondelBasell also is a significant producer of fuel products and the operator of one of North America's largest full-conversion refineries.

LyondellBasell's results of operations substantially reflect the business performance of the former Basell Group of companies for the period ending 31 December, 2007 and all comments in this Management Report refer to the businesses of Basell, except as otherwise indicated. The acquisition of Lyondell on 20 December, 2007 and the resulting 11-day effect of the acquired businesses of Lyondell are discussed in a separate section of this Management Report and in certain disclosures in the Notes to the LyondellBasell IFRS financial statements as referenced in this report. Following the acquisition of Lyondell, the former Basell businesses - Polyolefins Europe, Polyolefins North America, Polyolefins International as well as Advanced Polyolefins - were grouped under the new segment, Polymers, whereas Technology and R&D retained the former segment structure.

The former Basell businesses continued to benefit from an overall favourable supply and demand balance for all significant products leading to record business results across substantially all businesses except for the North American polypropylene activities. Therefore, the results for the twelve-month period ending 31 December, 2007, as compared to the twelve-month period ending 31 December, 2006 reflect, an improved performance in each of Basell's three business segments, resulting from stronger margins and higher sales volumes combined with a continued strong focus on cost management.

LyondellBasell's fourth quarter EBITDA came under pressure as rapidly rising crude oil pricing towards the end of the year impacted olefins costs in Europe, thus adding to typical seasonal swings in the polyolefins business environment. The quarterly EBITDA, which included significant costs associated with the acquisition of Lyondell, was the lowest since the acquisition of Basell by Access Industries. LyondellBasell's fourth quarter performance continued, however, to benefit from the continuation of an overall favourable polyolefins supply and demand balance as experienced during the first three quarters of 2007.

During 2007, LyondellBasell received €146 million as a merger agreement breakage fee from Huntsman after Huntsman terminated its merger agreement with Basell. LyondellBasell's business performance was negatively impacted by €32 million expensed in connection with various M&A activities during 2007 including, but not limited to, the offers to acquire Huntsman and Lyondell.

### 1.2. Operating Review and EBITDA analysis

Operating results during the fourth quarter and full year 2007 reflected several items that are not related to ongoing operations. As depicted in the table below, EBITDA for the period ending 31 December, 2007, adjusted to remove the effect of those items, reached €1,317 million, 34% ahead of the full year 2006 results similarly adjusted, and set a new record for LyondellBasell. As shown in the table below, EBITDA is adjusted for the effects of the Mergers & Acquisition activities ("M&A") of the Basell group during 2007, the further increase of the liability recorded in connection with a legal dispute pending with a pension trust of a former Basell shareholder and redundancy expenses recognized in conjunction with the announced production cessations at two Canadian polypropylene production facilities of Basell.

The fourth quarter 2007 adjusted EBITDA of €208 million, after adding back the M&A cost and redundancy accrued during the quarter, was slightly behind, (3%), the earnings performance for the same period of the previous year.

| Millions of euros | Q4 2007 | Q4 2006 | 2007 | 2006 |
|---|---|---|---|---|
| **Reported EBITDA** | **151** | **214** | **1,369** | **1,030** |
| 2005 Opening B/S | | | | **10** |
| Gain on asset sale | | | | **(23)** |
| Redundancy | **2** | | **12** | |
| M&A Costs | **19** | | **32** | |
| UK Pension Claim | | | **14** | |
| Insurance Proceeds - Münchsmünster | | | | **(37)** |
| Executive Severance/Compensation (Lyondell Acquisition) | **36** | | **36** | |
| Huntsman Fee | | | **(146)** | |
| **Adjusted EBITDA** | **208** | **214** | **1,317** | **980** |

As the acquisition of Lyondell is reflected for the 11-day period from 21 December to 31 December 2007 only the Lyondell executive severances as a special item in the fourth quarter of 2007 is considered.

**Polymers *(Polyolefins)***

Polymers' strong operating performance in 2007 was attributable primarily to the continued strong contributions of the Polymers business both in Europe and International supported by increasingly positive business operations of the North American polypropylene activities.

European market conditions remained favourable in 2007 with strong demand, tight supply and higher sales volumes. Sales volumes in North America increased in the twelve-month period ending 31 December, 2007 compared to the same period of 2006, while margins narrowed as product price increases failed to keep pace with increases in raw material costs.

Polymers' adjusted EBITDA for the year 2007 reached €839 million, excluding €9 million of redundancies recognised in connection with the production cessation at two sites in Canada, and exceeded the previous year's adjusted EBITDA of €605 million, resulting in a 39% increase. The fourth quarter adjusted EBITDA of €118 million was €31 million ahead of the result from the same period in 2006.

*Europe (Excluding Advanced Polymers)*

The European market conditions continued to be strong with good demand and tight supply. Polymers Europe's fourth quarter sales volumes were comparable to the same period in 2006, while margins were well ahead. Europe's fourth quarter adjusted EBITDA result was €87 million higher than the same period of the previous year. The adjusted EBITDA for 2007 was €177 million ahead of 2006.

*North America (Excluding Advanced Polymers)*

The North American domestic polypropylene market volume growth in 2007 was approximately 0.9% below that of 2006, while the total market, including exports, grew approximately 2.3%. LyondellBasell's sales volumes for the fourth quarter were up significantly compared to the same period in 2006 but margins were lower in an increasingly competitive environment that continued to be impacted by volatile feedstock pricing and customer buying. The 2007 result was also favourably impacted by a pension curtailment and negative past service costs totalling €56 million, which was recorded in the first quarter following the amendment of the employee benefit plans for the North American entities. Consequently, the 2007 fourth quarter North American adjusted EBITDA result was €53 million below the performance achieved in the same period of the previous year. On a full year basis adjusted EBITDA for North America was €11 million ahead of 2006.

*International (Excluding Advanced Polymers)*

Excluding the gain on sales of assets recorded in the third quarter of 2006, the Polymers International adjusted EBITDA for the twelve month period ending 31 December, 2007 were 21% ahead of the same period for the previous year.

*Advanced Polymers*

Advanced Polymers adjusted EBITDA for 2007 of €180 million, exceeding the prior year's result of €154 million by 17%. This business continued to benefit from its increased global market focus, delivering strong volume growth in all of its product lines. In Brazil, LyondellBasell commenced operations at its new polypropylene compounding plant near São Paulo in 2006 and expanded the capacity of this plant in March 2007 by 15 kta to 45 kta per year, increasing sales volumes for its PCMA business. On a full year basis, the sales volumes for the combined Advanced Polymers business were 9% higher than in 2006. All three business lines of the Advanced Polymers business unit – PCMA, Catalloy and PB1 - exceeded prior year levels by between 8% and 11%. Despite compressed margins, due to competitive pressures in the first quarter of 2007, the Catalloy business contribution was positive for 2007, lifted by strong volume growth and recovering margins during the second half of the year.

Advanced Polymers performance remained strong in the fourth quarter of 2007 with sales volumes 12% ahead of the same period in 2006. The fourth quarter adjusted EBITDA of €37 million was €7 million or 23% above the same period of the previous year.

**Chemicals**

Following the acquisition of Lyondell, global olefins results are reported in the Chemicals segment. The former Basell group operates several naphtha crackers in Europe: Wesseling and Münchsmünster (both in Germany) and Berre (France). Cracker margins in the first two quarters of 2007 were similar to those in 2006 and strengthened in the third quarter of 2007 before coming under pressure in the last quarter of 2007 due to sharply rising naphtha prices compressing margins towards the end of the year. In 2007, Chemicals benefited from the full year contribution of the Münchsmünster cracker, which was acquired on 29 December, 2006.

The Chemicals adjusted EBITDA 2007 totalled €220 million, exceeding the performance reported during the same period in 2006 by €21 million or 10%.

**Fuels**

The Fuels segment includes the refining and oxyfuels businesses which were acquired with Lyondell. The adjusted EBITDA for the 11-day period following the acquisition total €22 million.

**Technology and R&D**

The business unit, Technology and R&D, which markets LyondellBasell's process technologies, licensed a total production capacity of 1,900 kta in polyolefins core production technologies during 2007. The catalyst business was in a position to further expand its solid business performance during 2007. Sales volumes in 2007 exceeded 2006 by 7% on a year to date basis. Fourth quarter, 2007 sales volumes were 11% above Q4 2006.

Adjusted EBITDA for 2007 reached €209 million, €3 million above the adjusted EBITDA for 2006. Fourth quarter Technology and R&D adjusted EBITDA of €29 million was 17% below the result achieved in the same period of the previous year.

**Other**

| Millions of euros | Q4 2007 | Q4 2006 | 2007 | 2006 |
|---|---|---|---|---|
| **Reported EBITDA** | **(9)** | **(11)** | **91** | **5** |
| M&A Costs | **19** | | **32** | |
| UK Pension Claim | | | **14** | |
| Insurance proceeds - Münchsmünster | | | | **(37)** |
| Executive Severance/Compensation (Lyondell Acquisition) | **36** | | **36** | |
| Huntsman breakage fee | | | **(146)** | |
| **Adjusted EBITDA** | **46** | **(11)** | **27** | **(32)** |

Certain corporate costs that cannot be reasonably allocated to the businesses are recorded in the segment "Other". The 2006 comparison numbers are prior to the acquisition of Lyondell and only reflect the former Basell group. As the acquisition of Lyondell is reflected for the 11-day period from 21 December to 31 December, 2007 only the Lyondell executive severances as a special item in the fourth quarter of 2007 is considered.

The adjusted EBITDA of the segment Other for the year 2007 totalled €27 million after adding back M&A costs of €32 million, the UK pension exit fee claim of €14 million and the executive severance/compensation fee related to the Lyondell acquisition €36 million as well as excluding the income from the Huntsman merger agreement breakage fee of €146 million. The result for 2006 totalled €(32) million after deducting the expected insurance proceeds of €37 million for the rebuild of the Münchsmünster plant after a safety incident. After reversing M&A costs of €19 million and the executive severance/compensation of €36 million during Q4 2007 total adjusted EBITDA for Other reached €46 million, which was €57 million more than the same period in 2006.

**Net Result from Associated Companies and Joint Ventures**

The operating performance of Basell includes an additional significant source of income stemming from its "assets lite" strategy of expanding in new or developing markets via joint ventures. The net income realized through its existing joint ventures and various associated companies during 2007 totalled €118 million, exceeding 2006 income by €13 million. The quarterly result for the fourth quarter 2007 was €34 million versus €28 million for the same period in 2006.

In the twelve months ending 31 December, 2007 total cash dividends net of applicable withholding taxes have been received in an amount of €108 million from the following associates:

- Saudi Polyolefins Company €48 million,
- Basell Orlen Polyolefins €28 million,
- Sumallomer € 9 million,
- Polypacific € 7 million,
- HMC € 7 million,
- Indelpro € 7 million,
- others € 2 million.

**1.3. Lyondell Chemical Company – Effect of acquisition**

On 20 December, 2007, LyondellBasell indirectly acquired substantially all outstanding common shares of Lyondell for $48 per common share in an all cash transaction. As a result, Lyondell became an indirect wholly owned subsidiary of the Company. The results of operations of Lyondell are included in LyondellBasell's Consolidated Statement of Income prospectively from 21 December, 2007.

The purchase of Lyondell's outstanding common stock and other equity instruments, the existing, refinanced and new debt and related transaction costs resulted in a total purchase price of €14,575 million, including the fair value of existing and refinanced debt of €5,561 million.

The fair value of the Lyondell acquired assetsand liabilities at 20 December, 2007 was as follows:

| **Millions of euros** | |
|---|---|
| Cash and cash equivalents | € 659 |
| Inventories | 2,495 |
| Other current assets | 2,089 |
| Plant, property and equipment | 9,688 |
| Equity Investments and investments in PO joint ventures and other non-current assets | 813 |
| Goodwill | 3,699 |
| Intangible assets excluding goodwill | 1,230 |
| Current liabilities | (2,397) |
| Other non-current liabilities | (359) |
| Deferred tax liabilities | (3,206) |
| Minority interests | (136) |
| Total allocated purchase price | € 14,575 |

The goodwill is not deductible for tax purposes. The purchase price allocation used in the preparation of these financial statements is preliminary due to the continuing analyses relating to the determination of the fair values of the assets acquired and liabilities (including certain contingent liabilities). Any changes to the fair value of net assets acquired, based on information as of the acquisition date, would result in a corresponding adjustment to goodwill.

LyondellBasell has completed a preliminary assignment of the goodwill to reportable segments. Goodwill of €1,600 million was assigned to the Fuels segment, €1,925 million was assigned to the Chemicals segment and €174 million was assigned to the Polymers segment. Management does not expect the finalization of the purchase price allocation to have a material effect on the assignment of goodwill to reportable segments.

The following reflects the 11 day effect of the acquired businesses of Lyondell for 2007:

| **Millions of euros** | **2007** |
|---|---|
| Sales and other operating revenues | € 680 |
| Loss from continuing operations | (67) |

The new loss reflects the effects of selling inventories that were recorded at fair value in the acquisition, compressed olefins margins as a result of sharply rising naphtha prices towards the end of the year and severance costs related to the acquisition.

**1.4. Financial Review: Cash Flow, Liquidity and Capital Resources**

The 2007 operating cash flow before changes in working capital and provisions of €1,439 million was substantially ahead of the same period of the previous year. The net cash flow from operating activities was also higher driven by the strong operating results.

The following table shows information regarding LyondellBasell's consolidated cash flows for the periods indicated.

| **Millions of euros** | **Q4 2007** | **Q4 2006** | **2007** | **2006** |
|---|---|---|---|---|
| Cash from operating activities | 208 | 234 | 992 | 656 |
| Cash used in investing activities | (8,204) | (86) | (8,345) | (425) |
| Cash used in financing activities | 8,237 | 47 | 8,078 | (146) |
| **Net change in cash** | **241** | **195** | **725** | **85** |
| Currency translation | (12) | (5) | (15) | (5) |
| Cash from acquired operations | 659 | | 659 | |

**Operating Activities**

Cash flow from operating activities totalled €992 million during 2007 versus €656 million for 2006. The increase over 2006 is primarily due to the strong operating results and the receipt of the Huntsman breakage fee (€146 million). After adjusting for M&A and executive severance/compensation (€55million), Q4 2007 operating cash flow (€263 million ) was better than Q4 2006 (€234 million).

**Investing Activities**

Cash flow used in investing activities totalled €(8,345) million during 2007 and was significantly impacted by the acquisition of Lyondell Chemical Company. Excluding the impact of the acquisition, €(8,034) million (net of cash acquired of €659 million), cash flow used in investing activities for the year was €114 million less than in 2006. Cash used in 2006 pertains primarily to, investments in joint ventures and associated companies (€224 million) and the acquisition of the Münchsmünster cracker (€45 million).

**Financing Activities**

Cash flow from financing activities totalled €8,078 million during 2007 including the financing of the acquisition of Lyondell, €(8,034) million. In 2007 Basell distributed dividends totalling €315 million.

**Liquidity and Capital Resources**

Total debt, including current maturities, under which LyondellBasell is a guarantor (and in certain cases the primary obligor) following the acquisition of Lyondell, was €16,886 million as of 31 December, 2007. Current maturities of long-term debt at 31 December, 2007 included the annual amortization of €48 million and €50 million, respectively, for LyondellBasell's term loans A and B, €68 million principal amount outstanding under Lyondell's inventory-based credit facility, €157 million of various notes outstanding of LyondellBasell and its subsidiaries. LyondellBasell intends to reduce outstanding debt as market conditions permit.

Subsequent to the acquisition of Lyondell, LyondellBasell continues to manage the cash and liquidity of Basell and its other subsidiaries as a single group and a global cash pool. Substantially all of the group's cash is managed centrally, with operating subsidiaries participating through an intercompany uncommitted revolving credit facility. The majority of the operating subsidiaries of LyondellBasell have provided guarantees or collateral for the new debt of various LyondellBasell subsidiaries totaling approximately $20 billion that was used in the context of the Lyondell acquisition.

LyondellBasell's balance sheet is highly levered. LyondellBasell and its subsidiaries require a significant amount of cash to service its indebtedness, and its ability to generate cash will depend on future operating performance, which could be affected by general economic, financial, competitive, legislative, regulatory, business and other factors, many of which are beyond its control.

LyondellBasell's near-term profitability, particularly in ethylene-related products, may continue to be impacted by the unpredictability of price movements in crude oil and other raw materials. Strong heavy crude refining and ETBE/MTBE margins should continue with the approaching 2008 summer driving season, and favorable spreads in the Polymers division should sustain over the coming months as underlying supply demand structures appear solid. LyondellBasell believes that the cash generated from operating activities coupled with the funding available under various liquidity facilities to the group and LyondellBasell's ability to move cash among its wholly owned subsidiaries, will be adequate to meet anticipated future cash requirements, including scheduled debt repayments, necessary capital expenditures and ongoing operations.

## 1.5. Recent Developments

**Current Business Outlook**

Thus far in 2008, global business fundamentals remain similar to those in the fourth quarter of 2007 in the

Chemicals segment, with raw material and energy costs continuing their upward climb, creating significant margin pressure in ethylene and ethylene derivative products. The PO and PO derivative product sales volumes, margins and overall business conditions are generally more stable. Polymer segment sales volumes are somewhat depressed due to weaker demand for polypropylene in North America and Europe, but export sales volumes remain strong driven by global demand and the weak U.S. dollar.

Even though gasoline demand has not been strong, heavy crude refining margins have generally been better than historical performance. Strong distillate demand and heavy crude discounts have compensated for the lack of margin in gasoline. An unplanned reliability event at LyondellBasell's Houston Refinery that occurred in March will negatively impact earnings in both the first and second quarter of 2008.

MTBE and ETBE margins have been strong thus far with the rise in gasoline price as the primary driver.

**Subsequent Events**

*Acquisition of Shell oil refinery in Berre l'Etang, France*—On August 2, 2007, LyondellBasell Industries made an irrevocable offer to Shell to buy the oil refinery, refinery inventory and associated infrastructure and businesses at the Berre l'Etang petrochemical complex in France. The transaction was closed on April 1, 2008. The refinery provides a source of raw materials for one of LyondellBasell's key European sites, which operates world-scale polypropylene and polyethylene plants, a steam cracker and a butadiene extraction unit at Berre l'Etang and a polyethylene plant at nearby Fos sur Mer. LyondellBasell is currently the largest customer of the Shell refinery. The refinery's products include naphtha, VGO liquefied petroleum gas, fuels for a variety of applications, bitumen and heating oil. The transaction closed on 1 April 2008. As of the date of issuance of these consolidated financial statements a preliminary purchase price allocation has not been completed.

*Acquisition of Solvay Engineered Polymers*—On February 29, 2008, LyondellBasell acquired Solvay Engineered Polymers, Inc., a leading supplier of polypropylene compounds in North America. The acquisition of Solvay Engineered Polymers complements LyondellBasell's existing polymer-based composite materials and alloys business in North America, and by combining these businesses with the former Basell Advanced Polyolefin business LyondellBasell will be better positioned to serve its customers' needs.

*Revolving Credit Facility*—On March 27, 2008, LyondellBasell and certain subsidiaries entered into a new senior unsecured $750 million, eighteen-month revolving credit facility. The $750 million revolving credit facility is in addition to the existing credit facilities available to LyondellBasell and is provided by Access Industries Holdings, LLC, an affiliate of Access. The revolving credit facility has substantially the same terms as the Senior Secured Credit Facility, except that it is unsecured and is not guaranteed by the subsidiaries of LyondellBasell.

*Debt Agreement Amendments*—LyondellBasell is currently in negotiations with its lenders to increase the Senior Secured Inventory-Based Credit Facility from USD 1,000 million to USD 1,600 million, with an option for a further increase of USD 500 million. The negotiations include the possibility of adding a provision that would establish a "floor" or minimum LIBOR rate of 3.25% for the USD portion of term loan B of the Senior Secured Credit Facility. The company will evaluate the final terms of any such interest rate floor when those terms are known to determine the appropriate accounting during the second quarter of 2008 for the estimated value of such agreement.

**SECTION 2: BUSINESS**

## OVERVIEW OF THE BUSINESS

LyondellBasell Industries is a global manufacturer of chemicals and polymers, including polyolefins (thermoplastics) and advanced polyolefins, a refiner of heavy, high-sulfur crude oil, a significant producer of gasoline blending components and the leading developer and licensor of technologies for the production of polymers. LyondellBasell Industries includes the operations of Lyondell Chemical Company, which was acquired on December 20, 2007.

LyondellBasell Industries' revenues for 2007, which include Lyondell's results prospectively beginning December 21, 2007, totaled approximately €12.5 billion. LyondellBasell Industries' revenues for 2007, pro forma for the acquisition of Lyondell, totaled approximately €32.7 billion. As of December 31, 2007, LyondellBasell Industries managed approximately €27.8 billion in assets.

LyondellBasell Industries operates in four reportable business segments:

- *Chemicals.* LyondellBasell Industries' chemicals business segment produces and markets: ethylene, its co-products and derivatives; acetyls; propylene oxide ("PO"), its co-products and derivatives; toluene diisocyanate ("TDI"); and fragrance and flavors chemicals. Ethylene co-products include propylene, butadiene and aromatics, which include benzene and toluene. Derivatives of ethylene in this segment primarily include ethylene oxide ("EO"), ethylene glycol ("EG") and other EO derivatives, as well as ethanol. Acetyls include vinyl acetate monomer ("VAM," which also is a derivative of ethylene), acetic acid and methanol. PO's co-products include styrene monomer ("styrene" or "SM") and tertiary butyl alcohol ("TBA"). Isobutylene is a derivative of TBA. PO derivatives include propylene glycol ("PG"), propylene glycol ethers ("PGE") and butanediol ("BDO").
- *Polymers.* LyondellBasell Industries' polymers business segment produces and markets polyolefins and advanced polyolefins. Polyolefins include polyethylene (high density polyethylene ("HDPE"), low density polyethylene ("LDPE") and linear low density polyethylene ("LLDPE")) and polypropylene, including impact copolymers (higher-end polypropylenes). Advanced polyolefins include polypropylene-based compounds, materials and alloys ("PCMAs"), *Catalloy* process resins and polybutene-1 polymers ("PB-1").
- *Fuels.* LyondellBasell Industries' fuels business segment produces and markets refined petroleum products, including gasoline, ultra low sulfur diesel, jet fuel, lubricants ("lube oils") and aromatics, which include benzene and toluene. The segment also produces and markets gasoline blending components such as methyl tertiary butyl ether ("MTBE"), ethyl tertiary butyl ether ("ETBE") and alkylate.
- *Technology and R&D.* LyondellBasell Industries' technology and R&D business segment develops and licenses leading polyolefins process technologies and develops, manufactures and sells polyolefins catalysts.

LyondellBasell Industries AF S.C.A. is a holding company organized under the laws of the Grand Duchy of Luxembourg as a corporate partnership limited by shares. LyondellBasell Industries AF S.C.A. itself does not manufacture any products, does not have any employees or business operations, operates exclusively through its subsidiary companies, and has no source of operating income or assets of its own other than its interests in its subsidiary companies. These subsidiary companies are separate and distinct legal entities. In this report, unless otherwise defined in a given section or the context otherwise requires:

- "LyondellBasell Industries" or the "Company" refers to LyondellBasell Industries AF S.C.A. and its consolidated subsidiaries,
- "Basell" refers to Basell AF S.C.A., the predecessor of LyondellBasell Industries; on December 20, 2007, Basell AF S.C.A. was renamed LyondellBasell Industries AF S.C.A. in connection with LyondellBasell Industries' acquisition of Lyondell,
- "Lyondell" refers to Lyondell Chemical Company and its consolidated subsidiaries,

- “LCC” refers to Lyondell Chemical Company without its consolidated subsidiaries,
- “Equistar” refers to Equistar Chemicals, LP, an indirect wholly owned subsidiary of Lyondell, and its consolidated subsidiaries, through which much of the production of ethylene and its co-products and primary derivatives (other than acetyls) is conducted,
- “Millennium” refers to Millennium Chemicals Inc., a wholly owned subsidiary of Lyondell, and its consolidated subsidiaries, which produces acetyls and fragrance and flavor chemicals, and
- “Houston Refining” refers to Houston Refining LP (formerly known as LYONDELL-CITGO Refining LP or LCR), an indirect wholly owned subsidiary of Lyondell through which the fuels business (other than the production of MTBE, ETBE and alkylate) is primarily conducted.

The following chart sets forth the business segments and products of LyondellBasell Industries:

**Chemicals Segment**

- Ethylene and co-products
  - Ethylene
  - Propylene
  - Butadiene
  - Benzene
  - Toluene
- Ethylene derivatives
  - Ethylene oxide (EO)
  - Ethylene glycol (EG)
  - EO derivatives
  - Ethanol
- Acetyls
  - Vinyl acetate monomer (VAM)
  - Acetic acid
  - Methanol
- Propylene oxide, co-products and derivatives
  - Propylene oxide (PO)
  - Styrene monomer (SM)
  - Tertiary butyl alcohol (TBA)
  - TBA derivative--Isobutylene
  - Propylene glycol (PG)
  - Propylene glycol ethers (PGE)
  - Butanediol (BDO)
  - Toluene diisocyanate (TDI)
- Fragrance and flavor chemicals

**Polymers Segment**

- Polyolefins
  - Polypropylene and impact co-polymers
  - High density polyethylene (HDPE)
  - Low density polyethylene (LDPE)
  - Linear low density polyethylene (LLDPE)
- Advanced polyolefins
  - Propylene-based compounds, materials and alloys (PCMAs)
  - *Catalloy* process resins
  - Polybutene-1 (PB-1)
  - Thermoplastic elastomers and vulcanized thermoplastic polyolefins

**Fuels Segment**

- Gasoline
- Ultra low sulfur diesel
- Jet fuel
- Aromatics
  - Benzene
  - Toluene
- Lube oils
- Gasoline blending components
  - Methyl tertiary butyl ether (MTBE)
  - Ethyl tertiary butyl ether (ETBE)
- Alkylate

**Technology and R&D Segment**

- Polypropylene process technologies
  - *Spheripol*
  - *Spherizone*
  - *Metocene*
- Polyethylene process technologies
  - *Lupotech T*
  - *Spherilene*
  - *Hostalen*
  - *Lupotech G*
- Polyolefins catalysts

**Additional Information Available**

LyondellBasell Industries' principal executive offices are located in Rotterdam, The Netherlands (Telephone: 31 10 275 5500). LyondellBasell Industries' website address is www.lyondellbasell.com.

**Significant Events in LyondellBasell Industries' History**

LyondellBasell Industries includes the operations of Basell and Lyondell, which were combined in December 2007. Set forth below are significant events in the history of Basell since its formation and in the last several years with regard to Lyondell.

Basell was formed in September 2000 when BASF and Shell Chemicals combined their respective polypropylene businesses with their then-existing polyethylene joint venture. Access Industries, a privately held, U.S. based industrial group, subsequently acquired Basell in August 2005.

Lyondell acquired Millennium in a stock-for-stock business combination on November 30, 2004, thereby also indirectly acquiring Millennium's 29.5% interest in Equistar. Previously, Equistar was a joint venture between Lyondell and Millennium.

In September 2005, Basell acquired the remaining 50% interest it did not previously hold in its former joint venture Petroken Petroquimica Ensenada S.A. located in Argentina, and sold its 50% interest in a polypropylene plant in Spain. Also in September 2005, Basell sold its 50% interest in Polibrasil Participações S.A. ("Polibrasil") of Brazil. Prior to the divestment, Basell acquired Norcom Compostos Termoplásticos do Nordeste S.A., the polypropylene compounding business of Polibrasil. In December 2005, Basell acquired the remaining 50% interest it did not previously hold in its former joint venture Société du Craqueur de l'Aubette S.A. of France.

In April 2006, Basell acquired Akzo Nobel's polymerization catalysts and components businesses located in New Jersey and subsequently disposed of the components business through a separate transaction in June 2006. In July 2006, Basell sold its stake in Taiwan Polypropylene Company ("TPP") and, as part of the transaction, acquired TPP's ownership interests in the following LyondellBasell Industries joint ventures: SunAllomer Co. Ltd. ("SunAllomer") of Japan, PolyMirae Co. Ltd. ("PolyMirae") of South Korea and HMC Polymers Co. Ltd. ("HMC") of Thailand. In August 2006, Basell sold part of its interest in HMC. In December 2006, Basell acquired a naphtha cracker located at the Münchsmünster, Germany petrochemical site. Also in 2006, Basell formed two new joint ventures in Saudi Arabia (Saudi Ethylene & Polyethylene Company ("SEPC") and Al-Waha Petrochemicals Limited ("Al-Waha")) with start-ups currently expected for 2008 and 2009, respectively. See "Polymers Segment—Polyolefins Joint Ventures."

Lyondell acquired CITGO Petroleum Corporation's ("CITGO") 41.25% interest in Houston Refining on August 16, 2006, effective as of July 31, 2006. Previously, Houston Refining was a joint venture between Lyondell and CITGO.

On May 15, 2007, Lyondell sold its worldwide inorganic chemicals business to The National Titanium Dioxide Company Ltd (Cristal).

On December 20, 2007, an indirect wholly owned subsidiary of Basell merged with and into Lyondell, with Basell indirectly acquiring all of the outstanding shares of Lyondell's common stock at $48.00 per share. The total purchase price, including assumed and refinanced debt, was $20.9 billion. Basell was renamed LyondellBasell Industries AF S.C.A. As a result, Lyondell is now an indirect wholly owned subsidiary of LyondellBasell Industries.

On February 29, 2008, LyondellBasell Industries acquired Solvay Engineered Polymers, Inc. ("SEP"), a leading supplier of polypropylene compounds in North America. LyondellBasell Industries expects the acquisition of SEP to complement LyondellBasell Industries' existing PCMA business in North America.

On April 1, 2008, LyondellBasell Industries acquired a refinery at Berre l'Etang and related businesses in France from Société des Pétroles Shell. LyondellBasell Industries expects the acquisition of the refinery to enhance LyondellBasell Industries' raw material integration for its operations in France and support its polyolefins business in Europe.

## CHEMICALS SEGMENT

### Overview

LyondellBasell Industries' chemicals business segment produces: ethylene, its co-products and derivatives; acetyls; PO, its co-products and derivatives; TDI; and fragrance and flavors chemicals.

In the chemicals segment, LyondellBasell Industries produces ethylene at seven plants located at six facilities in the U.S. and four plants located at three facilities in Europe. The production of ethylene results in co-products such as propylene, butadiene and aromatics, which include benzene and toluene. Ethylene derivatives include EO, EG and other EO derivatives, as well as ethanol. In addition, in the chemicals segment, LyondellBasell Industries produces acetyls, such as VAM (which also is a derivative of ethylene), acetic acid and methanol. Ethylene is the most significant petrochemical in terms of worldwide production volume and is the key building block for polyethylene and a large number of other chemicals, plastics and synthetics. Ethylene and its co-products and derivatives are fundamental to many segments of the economy, including the production of consumer products, packaging, housing and automotive components and other durable and nondurable goods.

Including joint venture facilities, LyondellBasell Industries produces PO, its co-products and derivatives at five plants located at two facilities in Texas, two plants located at two facilities in The Netherlands, one plant located at one facility in Japan and one plant located at one facility in France. LyondellBasell Industries produces its PO through two distinct technologies based on indirect oxidation processes that yield co-products. One process yields TBA as the co-product; the other yields SM as the co-product. The two technologies are mutually exclusive, necessitating that a manufacturing facility be dedicated either to PO/TBA or to PO/SM. Isobutylene is a derivative of TBA. MTBE and ETBE are other derivatives of TBA, and are gasoline blending components reported in LyondellBasell Industries' fuels business segment. PG, PGE and BDO are derivatives of PO. PG collectively refers to mono-propylene glycol ("MPG"), PG meeting U.S. pharmacopeia standards ("PGUSP"), and several grades of di-propylene glycol ("DPG") and tri-propylene glycol ("TPG"). In addition, Rhodia Intermédiaires ("Rhodia") operates a TDI facility located in Pont de Claix, France on behalf of LyondellBasell Industries.

LyondellBasell Industries also produces fragrance and flavors chemicals. Facilities in Georgia and Florida manufacture terpene-based fragrance ingredients and flavor ingredients, primarily for the oral care markets. LyondellBasell Industries also supplies products for use in a number of other applications, including chemical reaction agents, or initiators, for the rubber industry and solvents and cleaners, such as pine oil, for the hard surface cleaner markets.

The following table outlines:

- the primary products of LyondellBasell Industries' chemicals segment;
- annual processing capacity as of December 31, 2007; and
- the primary uses for those products.

See "Properties" for the locations where LyondellBasell Industries produces the primary products of its chemicals segment.

Unless otherwise specified, annual processing capacity was calculated by estimating the average number of days in a typical year that a production unit of a plant is expected to operate, after allowing for downtime for regular maintenance, and multiplying that number by an amount equal to the unit's optimal daily output based on the design raw material mix. Because the processing capacity of a production unit is an estimated amount, actual production volumes may be more or less than the capacities set forth below. Capacities shown include 100% of the capacity of joint venture facilities.

| Product | Annual Capacity | Primary Uses |
|---|---|---|
| Ethylene | 14.9 billion pounds (a) | Ethylene is used as a raw material to manufacture polyethylene, EO, ethanol, ethylene dichloride, styrene and VAM. |
| Ethylene Co-Products: | | |
| Propylene | 8.7 billion pounds (a)(b) | Propylene is used to produce polypropylene, acrylonitrile and propylene oxide. |
| Butadiene | 1.8 billion pounds | Butadiene is used to manufacture styrene-butadiene rubber and polybutadiene rubber, which are used in the manufacture of tires, hoses, gaskets and other rubber products. Butadiene is also used in the production of paints, adhesives, nylon clothing, carpets, paper coatings and engineered plastics. |
| Aromatics: | | |
| Benzene | 310 million gallons | Benzene is used to produce styrene, phenol and cyclohexane. These products are used in the production of nylon, plastics, synthetic rubber and polystyrene. Polystyrene is used in insulation, packaging and drink cups. |
| Toluene | 66 million gallons | Toluene is used as an octane enhancer in gasoline, as a chemical raw material for benzene and/or paraxylene production, and as a core ingredient in TDI, a compound used in urethane production. |
| Ethylene Derivatives: | | |
| Ethylene Oxide (EO) | 1.5 billion pounds EO equivalents; 400 million pounds as pure EO (c) | EO is used to produce surfactants, industrial cleaners, cosmetics, emulsifiers, paint, heat transfer fluids and ethylene glycol. |
| Ethylene Glycol (EG) | 1.4 billion pounds (c) | EG is used to produce polyester fibers and film, polyethylene terephthalate ("PET") resin, heat transfer fluids and automobile antifreeze. |
| Other Ethylene Oxide Derivatives | 225 million pounds | EO derivatives include ethylene glycol ethers and ethanolamines, and are used to produce paint and coatings, polishes, solvents and chemical intermediates. |
| Ethanol | 50 million gallons | Ethanol is used in the production of solvents as well as household, medicinal and personal care products. |
| Acetyls: | | |
| Vinyl Acetate Monomer (VAM) | 820 million pounds | VAM is a petrochemical product used to produce a variety of polymers products used in adhesives, water-based paint, textile coatings and paper coatings. |
| Acetic Acid | 1.2 billion pounds | Acetic acid is a raw material used to produce VAM, terephthalic acid (used to produce polyester for textiles and plastic bottles), industrial solvents and a variety of other chemicals. |
| Methanol | 190 million gallons (d) | Methanol is a raw material used to produce acetic acid, MTBE, formaldehyde and several other products. |
| Propylene Oxide (PO) | 4.6 billion pounds (e) | PO is a key component of polyols, PG, PGE and BDO. |
| PO Co-Products: | | |
| Styrene Monomer (SM) | 4.4 billion pounds (f) | SM is used to produce plastics, such as expandable polystyrene for packaging, foam cups and containers, insulation products and durables and engineering resins. |
| TBA Derivative Isobutylene | 950 million pounds (g) | Isobutylene is a derivative of TBA used in the manufacture of synthetic rubber as well as fuel and lubricant additives, such as MTBE and ETBE. |
| PO Derivatives: | | |
| Propylene Glycol (PG) | 1.2 billion pounds (h) | PG is used to produce unsaturated polyester resins for bathroom fixtures and boat hulls; lower toxicity antifreeze, coolants and aircraft deicers; and cosmetics and cleaners. |
| Propylene Glycol Ethers (PGE) | 433 million pounds | PGE are used as solvents for paints, coatings, cleaners and a variety of electronics applications. |

| Product | Annual Capacity | Primary Uses |
|---|---|---|
| Butanediol (BDO) | 395 million pounds | BDO is used in the manufacture of engineering resins, films, personal care products, pharmaceuticals, coatings, solvents and adhesives. |
| Toluene Diisocyanate (TDI) | 274 million pounds (i) | TDI is combined with polyols to produce flexible foam for automotive seating and home furnishings. |
| Fragrance and Flavors Chemicals | (j) | Fragrance and flavors chemicals include terpene-based fragrance ingredients and flavor ingredients, primarily for the oral care markets, and also include products used in applications such as chemical reaction agents, or initiators, for the rubber industry and solvents and cleaners, such as pine oil, for the hard surface cleaner markets. |

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(a) Excludes 850 million pounds/year of ethylene capacity and 200 million pounds/year of propylene capacity at LyondellBasell Industries' Lake Charles, Louisiana ethylene and co-products facility, which has been idled since the first quarter 2001. Although LyondellBasell Industries retains the physical ability to restart or sell that facility, in the third quarter of 2006 Lyondell determined that it had no expectation of resuming production at that facility.

(b) Includes refinery-grade material from LyondellBasell Industries' U.S. refinery and 100% of the 990 million pounds of capacity of the propane dehydrogenation ("PDH") plant owned by Saudi Polyolefins Company Ltd. ("SPC"), a polymers joint venture owned 75% by an unrelated party. Does not include production from the product flexibility unit at the Channelview facility, which can convert ethylene and other light petrochemicals into propylene. The Channelview facility has an annual processing capacity of an additional one billion pounds/year of propylene.

(c) Includes 700 million pounds/year of EO equivalents capacity and 800 million pounds/year of EG capacity at the Beaumont, Texas facility, which represents 100% of the EO equivalents capacity and EG capacity, respectively, at the facility. The Beaumont, Texas facility is owned by PD Glycol, a 50/50 partnership with E. I. du Pont de Nemours and Company ("DuPont").

(d) Represents 100% of the methanol capacity at the La Porte, Texas facility, which is owned by La Porte Methanol Company, a partnership owned 85% by LyondellBasell Industries and 15% by Linde AG ("Linde").

(e) Includes 100% of the 385 million pounds of capacity of Nihon Oxirane Co. Ltd. ("Nihon Oxirane"), a joint venture of which LyondellBasell Industries owns 40%, 1.6 billion pounds of capacity that represents Bayer Corporation's ("Bayer") share of PO production from the Channelview PO/SM I plant and the Bayport, Texas PO/TBA plants under the U.S. PO manufacturing joint venture (the "U.S. PO Joint Venture") between Lyondell and Bayer, and 100% of the 690 million pounds of capacity of the Maasvlakte PO/SM plant, which is owned by the European PO manufacturing joint venture (the "European PO Joint Venture") with Bayer, as to which Bayer has the right to 50% of the production. LyondellBasell Industries' net proportionate interest in PO capacity is approximately 2.4 billion pounds. See "Chemicals Joint Ventures and Other Agreements."

(f) Includes approximately 1.1 billion pounds of SM production from the Channelview PO/SM II plant that is committed to unrelated equity investors under processing agreements, 100% of the 830 million pounds of capacity of Nihon Oxirane, of which LyondellBasell Industries owns 40%, and 100% of the 1.5 billion pounds of capacity of the Maasvlakte PO/SM plant, which is owned by the European PO Joint Venture with Bayer, as to which Bayer has the right to 50% of the production. LyondellBasell Industries' net proportionate interest in SM capacity, which includes the European PO Joint Venture with Bayer, is approximately 2.8 billion pounds. See "Chemicals Joint Ventures and Other Agreements."

(g) Represents total high-purity isobutylene capacity and purified isobutylene capacity.

(h) PG capacity includes 100% of the approximately 220 million pounds of capacity of Nihon Oxirane, of which LyondellBasell Industries owns 40%. LyondellBasell Industries' net proportionate interest in PG capacity is approximately 900 million pounds. The capacity stated is MPG capacity. Smaller quantities of DPG and TPG are co-produced with MPG. At LyondellBasell Industries' facilities in the U.S. and Europe, these DPG and TPG products are purified and marketed. See "Chemicals Joint Ventures and Other Agreements."

(i) Represents the average annual TDI capacity at LyondellBasell Industries' plant in Pont de Claix, France, which is operated by Rhodia. See "Chemicals Joint Ventures and Other Agreements."

(j) With respect to fragrance and flavors chemicals, LyondellBasell Industries frequently works closely with customers in developing products to satisfy the specific requirements of those customers, and capacity varies accordingly.

**Marketing and Sales**

In 2007, no single chemicals segment customer accounted for 10% or more of LyondellBasell Industries' total revenues pro forma for the Lyondell acquisition.

LyondellBasell Industries' ethylene production in Germany and France is generally consumed internally as a raw material in the production of polymers. LyondellBasell Industries' ethylene production in the U.S. generally is consumed internally as a raw material in the production of derivatives and polymers, or is shipped by pipeline to customers. Sales of ethylene accounted for less than 10% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition.

LyondellBasell Industries uses propylene as a raw material for production of PO and polypropylene. The propylene production that is not consumed internally generally is sold under multi-year contracts. In addition, pursuant to a 15-year propylene supply arrangement entered into by Equistar in 2003 with a subsidiary of Sunoco, Inc. ("Sunoco"), LyondellBasell Industries supplies 700 million pounds of propylene annually to Sunoco. Under the arrangement, a majority of the propylene is supplied under a cost-based formula and the balance is supplied on a market-related basis. Sales of propylene accounted for less than 10% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition.

LyondellBasell Industries generally sells its butadiene under multi-year contracts. LyondellBasell Industries uses the benzene as a raw material for production of styrene. LyondellBasell Industries' fuels business uses the toluene to blend into gasoline. Of the benzene and toluene production that is not consumed internally, most of the benzene generally is sold under multi-year contracts and most of the toluene is sold under annual contracts. The chemicals business also markets the benzene and toluene produced by the fuels business for a marketing fee. Sales of benzene and toluene accounted for less than 10% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition.

LyondellBasell Industries at times purchases ethylene, propylene, benzene and butadiene for resale, when necessary, to satisfy customer demand for these products above production levels. Volumes of ethylene, propylene, benzene and butadiene purchased for resale can vary significantly from period to period. However, purchased volumes have not historically had a significant impact on profitability.

With respect to the U.S., most of the ethylene and propylene production of the Channelview, Chocolate Bayou, Corpus Christi, La Porte and Mont Belvieu facilities is shipped via a pipeline system which has connections to numerous U.S. Gulf Coast consumers. This pipeline system, some of which is owned and some of which is leased, extends from Corpus Christi to Mont Belvieu to Port Arthur, Texas as well as around the Lake Charles, Louisiana area. In addition, exchange agreements with other ethylene and co-products producers allow access to customers who are not directly connected to this pipeline system. Some ethylene is shipped by rail car from Clinton, Iowa to Morris, Illinois and also to customers. A pipeline owned and operated by an unrelated party is used to transport ethylene from Morris, Illinois to Tuscola, Illinois. Some propylene is shipped by ocean-going vessel. Butadiene, benzene, toluene and other products are distributed by pipeline, rail car, truck, barge or ocean-going vessel. European ethylene and propylene production is generally either fully integrated with, or is transported via pipeline to, LyondellBasell Industries' polyethylene and polypropylene facilities in Europe. LyondellBasell Industries' propylene produced outside of the U.S. and Europe is generally fully integrated with and consumed at LyondellBasell Industries' (or its joint ventures') polypropylene facilities.

EO or EO equivalents, and EO's primary derivative, EG, are produced through a 50/50 joint venture with DuPont in Beaumont, Texas and at another wholly owned facility in Texas. The wholly owned facility also produces other derivatives of EO, principally ethylene glycol ethers and ethanolamines. EO and EG typically are sold under multi-year contracts, with market-based pricing. Glycol ethers and ethanolamines are sold primarily into the solvent and distributor markets at market prices. EO is shipped by rail car, and its derivatives are shipped by rail car, truck, isotank or ocean-going vessel.

The vast majority of the ethylene derivatives products are sold in North America and Europe, primarily through LyondellBasell Industries' sales organizations. Sales agents are generally engaged to market the ethylene derivatives products in the rest of the world.

VAM and acetic acid are consumed internally, sold worldwide generally under multi-year contracts, and also are sold on a spot basis. VAM and acetic acid are shipped by barge, ocean-going vessel, pipeline, tank car and tank truck. LyondellBasell Industries has bulk storage arrangements in Europe and South America to better serve its customers' requirements in those regions. Sales are made through a direct sales force, agents and distributors. Sales of acetyls, including VAM, collectively accounted for less than 10% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition.

Methanol is produced at a La Porte, Texas facility owned by La Porte Methanol Company, LyondellBasell Industries' 85%-owned joint venture with Linde. Each party to the joint venture receives its respective share of the methanol production. LyondellBasell Industries' acetyls business uses the methanol as a raw material for acetic acid and also sells the methanol under annual contracts and on a spot basis to large U.S. customers. The product is shipped by barge and pipeline.

LyondellBasell Industries produces PO, its co-products and derivatives in North America, Europe and Asia, including through joint ventures. LyondellBasell Industries estimates, based in part on published data, that worldwide demand for PO was approximately 15 billion pounds in 2007. More than 85% of that volume was consumed in the manufacture of three families of PO derivative products: polyols, glycols and glycol ethers. The remainder was consumed in the manufacture of performance products, including BDO and its derivatives.

LyondellBasell Industries produces and delivers its PO and PO co-products through sales agreements, processing agreements and spot sales as well as product exchanges. LyondellBasell Industries has a number of multi-year processing (or tolling) and sales agreements in an effort to mitigate the adverse impact of competitive factors and economic business cycles on demand for its PO. In addition, Bayer's ownership interest in the U.S. PO Joint Venture represents ownership of an in-kind portion of the PO production of the U.S. PO Joint Venture. Bayer also has the right to 50% of the production of the Maasvlakte PO/SM plant. See "Chemicals Joint Ventures and Other Agreements." PO sold in the merchant market accounted for less than 10% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition. LyondellBasell Industries' PO derivatives are sold through market-based sales contracts and spot sales.

Production levels at the PO/SM and PO/TBA co-product production facilities primarily are determined by the demand for PO and PO derivatives. The resulting production levels of co-product SM and the TBA derivatives (isobutylene, which is reported in the chemicals business segment, and MTBE and ETBE, which are reported in the fuels business segment) thus depend primarily on the demand for PO and PO derivatives and secondarily on the relative market demand for SM, isobutylene, MTBE and ETBE, as well as the operational flexibility of LyondellBasell Industries' multiple production facilities in meeting this demand. See "Fuels Segment" for additional information about the production of MTBE and ETBE.

Based on published data, worldwide demand for SM in 2007 was approximately 57 billion pounds. SM accounted for less than 10% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition. LyondellBasell Industries sells most of its SM production into the North American merchant markets and to European, Asian and South American export markets through long-term sales contracts and processing agreements. See "Chemicals Joint Ventures and Other Agreements."

LyondellBasell Industries purchases SM for resale, when necessary, to satisfy customer demand for this co-product above co-product production levels. Volumes of SM purchases made for resale can vary significantly from period to period. However, purchased volumes have not historically had a significant impact on profitability.

LyondellBasell Industries converts most of its TBA to isobutylene and also sells some of its TBA into the market. LyondellBasell Industries' chemicals business generally sells the isobutylene to unrelated parties under market-based sales agreements and in the spot market or uses the isobutylene internally as a raw material in the fuels business, which either reacts the isobutylene with methanol or ethanol to produce MTBE and ETBE, respectively. Isobutylene sales accounted for less than 10% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition.

Sales of LyondellBasell Industries' PO, its co-products and derivatives and TDI are made by LyondellBasell Industries, Nihon Oxirane and their affiliates directly, and through distributors and independent agents located in the Americas, Europe, the Middle East, Africa and the Asia Pacific region. LyondellBasell Industries has centralized certain sales and order fulfillment functions in regional customer service centers located in Houston, Texas and Hong Kong, China. LyondellBasell Industries also has long-term contracts for distribution and logistics to ensure reliable and efficient supply to its customers. PO, PG, SM and TDI are transported by barge, ocean-going vessel, pipeline, tank car and tank truck. BDO primarily is transported by tank truck and rail car.

**Chemicals Joint Ventures and Other Agreements**

On March 31, 2000, Lyondell contributed its Channelview, Texas PO/SM I plant and its Bayport, Texas PO/TBA plants to the U.S. PO Joint Venture. Bayer's ownership interest in the U.S. PO Joint Venture represents ownership of 1.6 billion pounds of the PO production annually, in-kind. Lyondell takes in-kind the remaining PO production and all co-product (SM and TBA) production from the U.S. PO Joint Venture. As part of the transaction, Lyondell and Bayer also formed a separate joint venture (the "PO Technology Joint Venture") through which Bayer was granted a non-exclusive and non-transferable right to use certain PO technology in the U.S. PO Joint Venture. Under the terms of the operating and logistics agreements, Lyondell operates the U.S. PO Joint Venture plants and arranges and coordinates the logistics of PO delivery from the plants. Lyondell and Bayer do not share marketing or product sales under the U.S. PO Joint Venture.

Lyondell and Bayer also formed a separate 50/50 joint venture, the European PO Joint Venture, for the construction and ownership of the Maasvlakte PO/SM plant near Rotterdam, The Netherlands, which began production late in the fourth quarter 2003. Each party takes in-kind 50% of the PO and SM production of the European PO Joint Venture.

LyondellBasell Industries' PO/SM II plant at the Channelview, Texas complex was created through a joint venture among Lyondell and unrelated equity investors. LyondellBasell Industries retains a majority interest in the PO/SM II plant and is the operator of the plant. A portion of the SM output of the PO/SM II plant is committed to the unrelated equity investors under processing agreements. As of December 31, 2007, LyondellBasell Industries had 1.1 billion pounds of SM capacity, or 30% of its worldwide capacity, committed to unrelated equity investors under these processing arrangements.

LyondellBasell Industries has a 40% equity interest in Nihon Oxirane, a joint venture in Japan formed by Lyondell and Sumitomo Chemical Co., Ltd. ("Sumitomo"). Since 1976, Nihon Oxirane has operated a PO/SM plant in Chiba, Japan. In the first quarter 2005, Nihon Oxirane began production at its new PG plant in Chiba, Japan with an annual PG capacity of 220 million pounds. Through Nihon Oxirane, LyondellBasell Industries also will participate in marketing most of the PO capacity from a new 440 million pound facility under construction in Rabigh, Saudi Arabia by Sumitomo and Saudi Aramco, which is scheduled to start-up in late 2008.

During 2007, Lyondell announced the formation of a joint venture with Sinopec Zhenhai Refining & Chemical Co., Ltd. ("ZRCC") for the construction of a world-scale PO/SM facility in Ningbo, China, with completion of construction expected in 2009. The new facility will have an annual PO production capacity of 604 million pounds and an annual SM production capacity of 1.3 billion pounds. Lyondell contributed a license right to its proprietary PO/SM technology in exchange for approximately 20% of the PO profitability from the facility. LyondellBasell Industries and ZRCC will jointly market all of the PO manufactured by the new facility.

LyondellBasell Industries also has a multi-year agreement, entered into by Lyondell and Shiny Chemical Co., Ltd. ("Shiny"), whereby LyondellBasell Industries markets and sells the PGE produced at Shiny's new PGE plant in Tainan, Taiwan. Shiny's new PGE plant, which is based on LyondellBasell Industries' technology, commenced production during the second quarter of 2007.

The TDI facility at Pont de Claix, France is designed to have an average annual production capacity of 274 million pounds of TDI, and is operated by Rhodia on behalf of LyondellBasell Industries pursuant to an operating agreement entered into by Lyondell that extends through March 31, 2016. Rhodia is responsible for providing all raw materials for the TDI production, except toluene, toluene diamine and carbon monoxide, which LyondellBasell Industries purchases in the market. The TDI produced at the Pont de Claix facility is marketed principally in Europe, the Middle East and Africa. In March 2008, Rhodia and LyondellBasell Industries announced that they have launched exclusive negotiations with the Perstorp Group in order to sell the TDI business in combination with certain Rhodia businesses at Pont de Claix.

Propylene is also produced at a PDH plant owned by SPC, a joint venture owned 25% by LyondellBasell Industries. The propylene produced is consumed by SPC's polypropylene facility. As a result, SPC's business, including the PDH plant, is included in the polymers segment. Please see "Polymers Segment—Polyolefins Joint Ventures" for more information regarding SPC.

## Raw Materials

Raw material cost is the largest component of the total cost for the production of ethylene and its co-products. The primary raw materials used are heavy liquids and natural gas liquids ("NGLs"). Heavy liquids include crude oil-based naphtha and gas oil, as well as condensate, a very light crude oil resulting from natural gas production (collectively referred to as "heavy liquids"). NGLs include ethane, propane and butane. The use of heavy liquid raw materials results in the production of a significant amount of co-products such as propylene, butadiene, benzene and toluene, as well as gasoline blending components, while the use of NGLs results in the production of a smaller amount of co-products, such as propylene.

The flexibility for a plant to consume a wide range of raw materials has historically provided an advantage over plants that are restricted in their raw material processing capability. Facilities using heavy liquids historically have generated, on average, approximately four cents of additional variable margin per pound of ethylene produced compared to facilities restricted to using ethane. This margin advantage is based on an average of historical data over a period of years and is subject to short-term fluctuations, which can be significant. For example, published reports indicated that during 2007 the advantage ranged from 2.6 cents to 5.5 cents. The costs of producing ethylene from heavy liquids and NGLs can change daily, based on the relative values of crude oil and natural gas, as well as the relative values of the products generated through the use of those raw materials. As a result, there have been in the past, and could continue to be in the future, periods of time when the use of heavy liquids does not provide an advantage or is disadvantaged versus the use of NGLs. In the U.S., LyondellBasell Industries has the capability to process significant quantities of either heavy liquids or NGLs, depending upon the relative economic advantage of the alternative raw materials, at certain ethylene and co-products facilities. In Europe, LyondellBasell Industries' facilities primarily use the heavy liquid naphtha as their raw material.

As described above, management believes that LyondellBasell Industries' raw material flexibility in the U.S. is a key advantage in the production of ethylene and co-products. As a result, heavy liquids requirements for these businesses are sourced globally via a mix of contractual and spot arrangements. Spot market purchases are made in order to maintain raw material flexibility and to take advantage of raw material pricing opportunities. A large portion of the NGLs requirements for these businesses are purchased via contractual arrangements from a variety of sources, but NGLs also are purchased on the spot market. A portion of the heavy liquids requirements for these businesses also are obtained from the fuels business. Heavy liquids generally are delivered by ship or barge, and NGLs generally are delivered via pipeline.

In North America, LyondellBasell Industries also purchases large amounts of natural gas to be used as energy for consumption in its business via market-based contractual arrangements with a variety of sources.

The primary raw material for the ethylene derivatives products is ethylene. LyondellBasell Industries' ethylene derivatives facilities generally can receive their ethylene directly from LyondellBasell Industries' ethylene facilities via its pipeline system, pipelines owned by unrelated parties or on-site production.

In addition to ethylene, acetic acid is a primary raw material for the production of VAM. For VAM produced by LyondellBasell Industries, LyondellBasell Industries obtains its entire requirements for acetic acid and ethylene from its internal production. In 2007, LyondellBasell Industries used a large percentage of its acetic acid production to produce VAM.

The primary raw materials required for the production of acetic acid are carbon monoxide and methanol. LyondellBasell Industries purchases the carbon monoxide from Linde pursuant to a long-term contract under which pricing is based primarily on cost of production. La Porte Methanol Company, LyondellBasell Industries' 85%-owned joint venture, supplies all of the methanol requirements for acetyls production. Natural gas is the primary raw material required for the production of methanol.

The raw materials for ethylene and its co-products and derivatives are, in general, commodities with numerous bulk suppliers and ready availability at competitive prices. Historically, raw material availability for ethylene and its co-products and derivatives has not been an issue. For additional discussion regarding the effects of raw material pricing and supply on recent operating results, see "Risk Factors—Risks Relating to the Businesses—Costs of raw materials and energy, as well as reliability of supply, may result in increased operating expenses and reduced results of operations" and "Operating and Financial Review."

The primary raw materials used for the production of PO and its co-products and derivatives are propylene, isobutane, ethylene and benzene. The market prices of these raw materials historically have been related to the price of crude oil and its principal refinery derivatives, NGLs and natural gas, as well as market conditions for these materials. These materials are received in bulk quantities via pipeline or ocean-going vessels.

In the U.S., LyondellBasell Industries obtains a large portion of its propylene, benzene and ethylene raw materials needed for the production of PO and its co-products and derivatives internally from LyondellBasell Industries' ethylene and ethylene co-products facilities. Raw materials for the non-U.S. production of PO and its co-products and derivatives primarily are obtained from unrelated parties. LyondellBasell Industries consumes a significant portion of its internally-produced PO in the production of PO derivatives.

LyondellBasell Industries consumes large volumes of isobutane for the production of PO and its co-products and derivatives. LyondellBasell Industries has invested in facilities, or entered into processing agreements with unrelated parties, to convert the widely available commodity, normal butane, to isobutane. LyondellBasell Industries also is a large consumer of oxygen for its PO/TBA plants.

The cost of raw materials generally is the largest component of total production cost for PO and its co-products and derivatives. Generally, the raw materials requirements for these businesses are purchased at market-based prices from numerous suppliers in the U.S. and Europe with which LyondellBasell Industries has established contractual relationships, as well as in the spot market. The raw materials for these businesses are, in general, commodity chemicals with ready availability at competitive prices. Historically, raw material availability has not been an issue. However, in order to enhance reliability and competitiveness of prices and rates for supplies of raw materials, industrial gas and other utilities, LyondellBasell Industries has long-term agreements and other arrangements for a substantial portion of its production requirements, including internal arrangements with its ethylene and ethylene co-products facilities. For additional discussion regarding the effects of raw material pricing and supply on recent operating performance, see "Risk Factors—Risks Relating to the Businesses—Costs of raw materials and energy, as well as reliability of supply, may result in increased operating expenses and reduced results of operations" and "Operating and Financial Review."

**Competition and Industry Conditions**

With respect to ethylene, its co-products and derivatives and acetyls, competition is based on price, product quality, product delivery, reliability of supply, product performance and customer service. Industry consolidation in North America and Europe has led to fewer, although larger, competitors. Profitability is affected not only by supply and demand for ethylene, its co-products and derivatives and acetyls, but also by raw material costs and price competition among producers, which may intensify due to, among other things, the addition of new capacity. In general, demand is a function of worldwide economic growth, which fluctuates. It is not possible to accurately predict the changes in raw material costs, market conditions, capacity utilization and other factors that will affect industry profitability in the future. During the next five years, forecasts for the worldwide average annual ethylene capacity additions are projected at approximately 5%, with more than 90% of these additions in the Middle East and Northeast Asia. The average worldwide demand growth is expected to lag this rate by less than 1%. In the U.S. and Europe, relatively stable ethylene supply combined with sustained demand levels are projected to result in continued high average operating rates through 2008. Capacity share figures for LyondellBasell Industries and its competitors, discussed below, are based on completed production facilities and, where appropriate, include the full capacity of joint venture facilities and certain long-term supply arrangements.

LyondellBasell Industries competes with other large marketers and producers for sales of ethylene, its co-products and derivatives and acetyls, including Celanese Corporation ("Celanese"), Chevron Phillips Chemical Company LP ("ChevronPhillips"), The Dow Chemical Company ("Dow"), Eastman Chemical Company, Enterprise Products Partners L.P., Exxon Mobil Corporation ("ExxonMobil"), NOVA, Methanex Holdings Trinidad Limited, Shell Chemical Company ("Shell") and Texas Petrochemicals, Inc. LyondellBasell Industries' ethylene rated capacity in the U.S. at December 31, 2007 was approximately 10.8 billion pounds per year, or approximately 14% of total North American ethylene production capacity. Based on published rated production capacities, LyondellBasell

Industries is the second largest producer of ethylene in North America. North American ethylene rated capacity at December 31, 2007 was approximately 78 billion pounds per year, with approximately 76% of that North American capacity located along the Gulf Coast. LyondellBasell Industries is the second largest producer of VAM and acetic acid in North America and the fourth largest producer of VAM and acetic acid worldwide, based on 2007 published rated production capacity.

With respect to PO, its co-products and derivatives and TDI, competition is based on a variety of factors, including product quality and price, reliability of supply, technical support, customer service and potential substitute materials. Profitability is affected by the worldwide level of demand along with price competition, which may intensify due to, among other things, new industry capacity. From 2008 to 2012, approximately 3.4 billion pounds of new industry PO capacity, or approximately 20% of 2007 global PO capacity (approximately 4% annual average capacity growth), is expected to be added, with approximately half of these additions in the Middle East and China. During this period, the average annual world demand growth is expected to be approximately 4%. Demand is a function of worldwide economic growth, which fluctuates. The PO demand growth rate also could be impacted by further development of alternative bio-based PO derivatives. It is not possible to predict accurately the changes in raw material costs, market conditions and other factors that will affect industry profitability in the future. Capacity share figures for LyondellBasell Industries and its competitors, discussed below, are based on completed production facilities and, where appropriate, include the full capacity of joint venture facilities and certain supply arrangements.

LyondellBasell Industries' major worldwide competitors for sales of PO and its derivatives are Dow and Shell. Based on published data regarding PO capacity, LyondellBasell Industries believes that, including the total capacity of Nihon Oxirane and the U.S. PO Joint Venture, LyondellBasell Industries is the largest producer of PO worldwide, with approximately 21% of the total worldwide capacity for PO.

LyondellBasell Industries competes with many marketers and producers worldwide for sales of SM, among which are BASF SE, ChevronPhillips, Dow, Ineos-NOVA, Saudi Basic Industries Corp. ("SABIC"), Shell and TOTAL. Based on published data regarding SM capacity, LyondellBasell Industries believes that it is one of the largest producers of SM worldwide.

LyondellBasell Industries competes for sales of TBA and isobutylene with producers in the U.S. and Europe. LyondellBasell Industries believes that it is one of the largest producers of isobutylene worldwide.

LyondellBasell Industries manufactures TDI through a long-term processing arrangement with Rhodia at the Pont de Claix, France facility. See "Chemicals Joint Ventures and Other Agreements" above. LyondellBasell Industries competes with several marketers and producers for sales of TDI principally in Europe, the Middle East and Africa, including BASF SE and Bayer AG.

## POLYMERS SEGMENT

### Overview

LyondellBasell Industries' polymers business segment consists of the production and marketing of polyolefins and advanced polyolefins.

LyondellBasell Industries produces polyolefins (polypropylene and polyethylene) at 29 facilities worldwide, consisting of 12 facilities located in North America, 11 facilities located in Europe, five facilities located in Asia (including one facility located in the Middle East), two facilities located in Australia and one facility located in South America. In addition, LyondellBasell Industries owns a polyethylene facility in Münchsmünster, Germany that is currently being rebuilt following a fire in 2005. LyondellBasell Industries' joint ventures own one of the facilities in North America, one of the facilities in Europe and all five of the facilities in Asia. In addition, LyondellBasell Industries' SEPC and Al-Waha joint ventures expect to commence production at new facilities in the Middle East in 2008 and 2009, respectively. Polyolefins are thermoplastics and comprise approximately two-thirds of worldwide thermoplastics demand. Since their industrial commercialization, thermoplastics have found wide-ranging applications and continue to replace traditional materials such as metal, glass, paper and wood. LyondellBasell Industries' products are used in consumer and industrial applications ranging from food and beverage packaging to housewares and construction materials. Polyethylene is the most widely used thermoplastic, measured on a production capacity basis. LyondellBasell Industries produces high density polyethylene ("HDPE"), low density polyethylene ("LDPE") and linear low density polyethylene ("LLDPE"). LyondellBasell Industries also produces polypropylene, including impact copolymers, which are higher-end polypropylenes.

LyondellBasell Industries manufactures advanced polyolefins at 17 facilities worldwide (a number of which are the same facilities as the polyolefins facilities described above), consisting of six facilities in Europe, five facilities in Asia, three facilities in North America, two facilities in South America and one facility in Australia. In addition, LyondellBasell Industries recently acquired two additional manufacturing facilities in the SEP acquisition discussed below. LyondellBasell Industries specializes in three advanced polyolefins product lines: polypropylene-based compounds, materials and alloys ("PCMAs"), *Catalloy* process resins and polybutene-1 polymers ("PB-1"). The advanced polyolefins business focuses on specialty polyolefins and compounds that offer a wide range of performance characteristics superior to traditional polyolefins. Typical properties of advanced polyolefins include superior paint adhesion, scratch resistance, low temperature impact resistance and soft touch. End uses include automotive, pipe, wire and cable, roofing, industrial, packaging and electrical appliances.

PCMAs consist of specialty products produced from polypropylene products reinforced with additives. *Catalloy* process resins are produced using a unique technology and three-step process allowing for very specific tailoring of the product properties that results in a superior range of resins compared to conventional polypropylene. The patented process is proprietary technology that is not licensed to third parties, and as a result, LyondellBasell Industries is the only manufacturer of *Catalloy* process resins. LyondellBasell Industries is the largest global producer of PB-1, a unique family of highly flexible, strong and durable butene based polymers. A majority of the current PB-1 LyondellBasell Industries produces is used in pipe applications and for under-floor heating and thermo sanitary systems, where flexibility and creep resistance at high temperature are very important. PB-1 is not sold for use in these applications in the United States. PB-1 is being developed to target new opportunities in applications such as "easy-open" packaging (seal-peel film), construction, fibers and fabrics, compounds, adhesives and coatings.

On February 29, 2008, LyondellBasell Industries acquired SEP, a leading supplier of polypropylene compounds in North America. The acquisition includes two polypropylene compounding sites in the U.S. SEP's primary products include DEXFLEX TPOs, *SEQUEL* engineered polyolefins, *INDURE* engineered polyolefins and *NexPrene* TPVs. LyondellBasell expects the acquisition of SEP to complement LyondellBasell Industries' existing PCMA business in North America. The following discussion of the polymers segment does not include information related to SEP.

The following table outlines:

- the primary products of LyondellBasell Industries' polymers segment;
- annual processing capacity as of December 31, 2007; and
- the primary uses for those products.

See "Properties" for the locations where LyondellBasell Industries produces the primary products of its polymers segment.

Unless otherwise specified, annual processing capacity was calculated by estimating the average number of days in a typical year that a production unit of a plant is expected to operate, after allowing for downtime for regular maintenance, and multiplying that number by an amount equal to the unit's optimal daily output based on the design raw material mix. Because the processing capacity of a production unit is an estimated amount, actual production volumes may be more or less than the capacities set forth below. Capacities shown include 100% of the capacity of joint venture facilities.

| Product | Annual Capacity | Primary Uses |
| --- | --- | --- |
| Polyolefins | | |
| Polypropylene | 15.4 billion pounds (a) | Polypropylene is used to manufacture fibers for carpets, rugs and upholstery; housewares; automotive battery cases; automotive fascia, running boards and bumpers; grid-type flooring for sports facilities; fishing tackle boxes; and bottle caps and closures. |
| Polyethylene: | | |
| High density polyethylene (HDPE) | 6.3 billion pounds (b)(c) | HDPE is used to manufacture grocery, merchandise and trash bags; food containers for items from frozen desserts to margarine; plastic caps and closures; liners for boxes of cereal and crackers; plastic drink cups and toys; dairy crates; bread trays; pails for items from paint to fresh fruits and vegetables; safety equipment such as hard hats; house wrap for insulation; bottles for household and industrial chemicals and motor oil; milk, water, and juice bottles; large (rotomolded) tanks for storing liquids such as agricultural and lawn care chemicals; and pipe. |
| Low density polyethylene (LDPE) | 4.0 billion pounds (b)(d) | LDPE is used to manufacture food packaging films; plastic bottles for packaging food and personal care items; dry cleaning bags; ice bags; pallet shrink wrap; heavy-duty bags for mulch and potting soil; boil-in-bag bags; coatings on flexible packaging products; and coatings on paper board such as milk cartons. Ethylene vinyl acetate is a specialized form of LDPE used in foamed sheets, bag-in-box bags, vacuum cleaner hoses, medical tubing, clear sheet protectors and flexible binders. |
| Linear low density polyethylene (LLDPE) | 1.2 billion pounds | LLDPE is used to manufacture garbage and lawn-leaf bags; industrial can liners; housewares; lids for coffee cans and margarine tubs, dishpans, home plastic storage containers, kitchen trash containers; large (rotomolded) toys like outdoor gym sets; drip irrigation tubing; wire and cable insulating resins and compounds used to insulate copper and fiber optic wiring, and film; shrink wrap for multi-packaging canned food, bag-in-box bags, produce bags, and pallet stretch wrap. |
| Advanced Polyolefins | | |
| PCMAs | 1.8 billion pounds(e) | PCMAs are used to manufacture automotive interior and exterior trims, dashboards, bumpers and under-hood applications; base material for products and parts used in appliances; anti-corrosion coatings for steel piping; wire and cable window profiles. |
| *Catalloy* process resins | 1.3 billion pounds | *Catalloy* process resins are used primarily in modifying polymer properties in film applications and molded products; for specialty films, geomembranes, and roofing materials; in bitumen modification for roofing and asphalt applications; and to manufacture automotive bumpers. |
| PB-1 resins | 100 million pounds | PB-1 resins are used in flexible pipes, resins for seal-peel film, film modification, hot melt and polyolefin modification applications, consumer packaging and adhesives. |

(a) Includes: (1) 100% of the 810 million pounds of capacity of SPC, a joint venture owned 75% by an unrelated party (excludes 100% of 660 million pounds of capacity under construction and scheduled for start-up in 2009); (2) 100% of the 855 million pounds of capacity of SunAllomer, a joint venture of which LyondellBasell Industries owns 50%; (3) 100% of 880 million pounds of capacity of Basell Orlen Polyolefins Sp. Z.o.o. ("Orlen"), a joint venture of which LyondellBasell Industries owns 50%; (4) 100% of 990 million pounds of capacity of HMC, a joint venture owned 29% by LyondellBasell Industries (excludes 100% of 660 million pounds of capacity under construction and scheduled for start-up in 2009); (5) 100% of 1,355 million pounds of capacity of PolyMirae, a joint venture owned 35% by LyondellBasell Industries; (6) 100% of 540 million pounds of capacity of Indelpro, a joint venture owned 49% by LyondellBasell Industries (excludes 100% of 770 million pounds of capacity under construction and scheduled for start-up in the second quarter of 2008); (7) 385 million pounds of capacity at a site in Ontario, Canada that will cease production in mid-2008; and 455 million pounds of capacity at a site in Quebec, Canada that was shut down in April 2008. See "Polyolefins Joint Ventures." Excludes 100% of 990 million pounds of capacity of a *Spherizone* polypropylene and propane dehydrogenation manufacturing plant presently under construction and scheduled for start-up in the first quarter of 2009 that is owned by Al-Waha, a joint venture owned 21% by LyondellBasell Industries. Also excludes 485 million pounds of capacity at a site in Bayport, Texas that is expected to be restarted in mid-2008.

(b) Excludes 100% of 1,765 million pounds of capacity of a HDPE and LDPE manufacturing complex presently under construction and scheduled to commence operations in the fourth quarter of 2008 that is owned by SEPC, a joint venture 25% owned by LyondellBasell Industries.

(c) Includes 100% of 705 million pounds of capacity of Orlen, a joint venture of which LyondellBasell Industries owns 50%. LyondellBasell Industries' net proportionate interest in HDPE capacity is approximately 350 million pounds. See "Polyolefins Joint Ventures." Excludes 265 million pounds of capacity at a site in Münchsmünster, Germany that is currently being rebuilt following a fire in 2005.

(d) Includes 100% of 330 million pounds of capacity of Orlen, a joint venture of which LyondellBasell Industries owns 50%. LyondellBasell Industries' net proportionate interest in LDPE capacity is approximately 165 million pounds. See "Polyolefins Joint Ventures."

(e) Includes 100% of the 130 million pounds of capacity of PolyPacific Pty., a joint venture of which LyondellBasell Industries owns 50%, and 45 million pounds of capacity of SunAllomer, a joint venture of which LyondellBasell Industries owns 50%. LyondellBasell Industries is constructing a second compounding plant near Guangzhou, China that is scheduled to commence operations in the summer of 2008. The annual capacity of the new plant will initially be 35 million pounds, and LyondellBasell Industries anticipates adding up to an annual capacity of 90 million pounds.

### Marketing and Sales

In 2007, no single polymers segment customer accounted for 10% or more of LyondellBasell Industries' total revenues pro forma for the Lyondell acquisition.

LyondellBasell Industries' produces polypropylene in Europe, North America, Asia, Australia and South America. All of the facilities in Asia, one of the facilities in Europe (Poland) and the facility in Mexico are joint ventures. See "Polyolefins Joint Ventures." In addition, the Al-Waha joint venture is presently constructing a *Spherizone* polypropylene and propane dehydrogenation manufacturing plant in Saudi Arabia that is scheduled to commence operations in the first quarter of 2009. Polypropylene accounted for approximately 16% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition.

LyondellBasell Industries manufactures polyethylene using a variety of technologies in Europe and the U.S. In addition, the SEPC joint venture is presently constructing an integrated polyethylene manufacturing complex in Saudi Arabia that is scheduled to commence operations in the fourth quarter of 2008. The HDPE facility in Münchsmünster, Germany is presently being rebuilt following a fire in 2005. HDPE accounted for less than 10% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition. Polyethylene (HDPE, LDPE and LLDPE collectively) accounted for approximately 16% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition.

In North America, LyondellBasell Industries has an exclusive marketing agreement with ConocoPhillips, pursuant to which LyondellBasell Industries sells and markets the polypropylene production from ConocoPhillips' 800 million pound per annum facility at Bayway, New Jersey. On a worldwide basis, LyondellBasell Industries typically has exclusive marketing arrangements with its joint venture partners to sell and market polypropylene and polyethylene outside the country where such joint venture facility is located.

With respect to polypropylene and polyethylene, LyondellBasell's production is typically sold to an extensive base of established customers. LyondellBasell Industries' polypropylene and polyethylene product volumes are sold to customers under annual or multi-year contracts or under customary terms and conditions without formal contracts. LyondellBasell Industries also produces performance polymer products, which include enhanced grades of polypropylene and polyethylene. LyondellBasell Industries believes that, over a business cycle, average selling prices and profit margins for performance polymers tend to be higher than average selling prices and profit margins for higher-volume commodity polyethylenes.

The vast majority of LyondellBasell Industries' polyolefins products sold in North America and Europe are sold through LyondellBasell Industries' sales organization. LyondellBasell Industries has three sales channels for polyolefins (Alastian, Polyolefins Products and Polyolefins Solutions) to distinguish between commodity and specialty business models and allow a focused approach to meet the needs of LyondellBasell Industries' customers' different buying requirements. The characteristics of these sales channels are as follows:

- Alastian has a "no-frills" offering for a limited range of commoditized products. All terms of sales are standard, and extra services, including technical service and freight, are charged separately. Prices are posted, and all transactions are highly automated.
- Polyolefins Products offers a broad range of commoditized products and standard services via a direct local sales presence for those customers who value a traditional relationship and sales support.
- Polyolefins Solutions focuses on high growth and high value application segments in the polyolefins market. Through its two business lines and key account management, it offers a full service range and security of supply and runs a dedicated innovation project team that draws on the expertise and strength of LyondellBasell Industries' research and development organization.

Polyolefins primarily are distributed by rail car or truck.

LyondellBasell Industries or its joint ventures manufacture PCMAs in Europe, Asia, South America, the U.S. and Australia. In addition, LyondellBasell Industries is constructing a second compounding plant near Guangzhou, China that is scheduled to commence operations in the summer of 2008 and will complement its existing plant in Suzhou, near Shanghai. LyondellBasell Industries manufactures *Catalloy* process resins in the U.S. and Europe. LyondellBasell Industries manufactures PB-1 in Europe.

LyondellBasell Industries sells these advanced polyolefins under annual and multi-year contracts tailored for special applications and to meet each respective customer's needs. Advanced polyolefins accounted for less than 10% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition. Advanced polyolefins are transported generally by truck and rail car.

LyondellBasell Industries' marketing and sales force is composed of more than 500 employees involved in sales related activities, including direct sales and customer service. LyondellBasell Industries' regional sales offices are located in various locations, including Hoofddorp, The Netherlands, Wilmington, Delaware (United States), Hong Kong, China and Dubai, United Arab Emirates. LyondellBasell Industries operates through a global network of local sales and representative offices in Europe, North America and the rest of the world (primarily in importing countries) and through an extensive network of commercial representatives in over 50 countries. LyondellBasell Industries' joint ventures manage their domestic sales and marketing efforts independently, and LyondellBasell Industries often operates as their agent/distributor for exports.

**Polyolefins Joint Ventures**

LyondellBasell Industries has six polypropylene joint ventures, one polyethylene joint venture and one joint venture that produces polypropylene and polyethylene. Out of the eight joint ventures, six are in Asia (including three in the Middle East), one is in Europe and one is in North America. These joint ventures provide LyondellBasell Industries with additional income streams from technology licensing, catalyst sales and LyondellBasell Industries' marketing offtake, as well as geographical diversification and access to local market skills and expertise. LyondellBasell Industries' technological leadership has enabled it to establish joint ventures in cost advantaged locations and developing regions with higher growth, including the Asia Pacific region and the Middle East. LyondellBasell Industries generally licenses its polyolefins process technologies and supplies catalysts to its joint ventures.

LyondellBasell Industries believes that its joint venture approach to international growth allows it to leverage its capital and participate in a larger, more diversified mix of projects where the synergies between LyondellBasell Industries' global position and the local joint venture party's strengths can result in improved operations and financial returns. Many of LyondellBasell Industries' joint ventures source cost advantaged raw materials from their local shareholders.

In the Middle East, LyondellBasell Industries has a joint venture in Saudi Arabia, SPC, that operates a PDH unit and a polypropylene manufacturing facility in Al-Jubail with an annual polypropylene capacity of 810 million pounds. LyondellBasell Industries owns 25% of this joint venture and markets approximately 70% of the polypropylene produced annually by the joint venture.

In 2006, LyondellBasell Industries formed two new joint ventures in Saudi Arabia, both of which have manufacturing facilities under construction. The first of these joint ventures, SEPC, is with Tasnee & Sahara Olefins Company ("TSOC") and has a new integrated polyethylene manufacturing complex under construction in Al-Jubail Industrial City in Saudi Arabia. One plant will be based on LyondellBasell Industries' *Hostalen* process and will produce HDPE, and the other plant will be based on LyondellBasell Industries' *Lupotech T* technology and will produce LDPE. Start-up of the new plants is targeted for 2008. LyondellBasell Industries owns 25% of the joint venture, while the remaining 75% is owned by TSOC (which is owned by National Petrochemical Industrialisation Company (also known as Tasnee Petrochemicals), LyondellBasell Industries' partner in its SPC joint venture, and Sahara Petrochemical Company, LyondellBasell Industries' partner in its Al-Waha joint venture).

LyondellBasell Industries' second new joint venture in Saudi Arabia, Al-Waha, is constructing and will operate a polypropylene and PDH manufacturing plant in Al-Jubail Industrial City. The plant will use LyondellBasell Industries' most advanced polypropylene technology, the *Spherizone* process. Start-up of the new plant is targeted for the first quarter of 2009. LyondellBasell Industries will initially be the exclusive marketer for polypropylene produced by the joint venture that is sold outside of Saudi Arabia.

HMC, LyondellBasell Industries' joint venture in Thailand with Thai state oil company PTT, operates a polypropylene plant with an annual capacity of 990 million pounds and is currently constructing a project that includes a PDH plant with an annual capacity of 680 million pounds and a *Spherizone* polypropylene line with an annual capacity of 660 million pounds. Start-up of this new complex is planned for 2009. LyondellBasell Industries owns 29% of this joint venture.

In Europe, LyondellBasell Industries has a joint venture in Poland, Orlen, which operates a polyolefins manufacturing facility with an annual polypropylene capacity of 880 million pounds and an annual polyethylene capacity of 1,035 million pounds, including 705 million pounds of HDPE and 330 million pounds of LDPE. LyondellBasell Industries owns 50% of this joint venture and markets a portion of the polypropylene and the polyethylene produced by the joint venture.

In North America, LyondellBasell Industries has a joint venture in Mexico, Indelpro, which operates a polypropylene manufacturing facility with an annual polypropylene capacity of 540 million pounds. LyondellBasell Industries owns 49% of this joint venture and markets a portion of the polypropylene produced by the joint venture. Indelpro has also signed a license agreement to use LyondellBasell Industries' *Spherizone* process technology for a planned expansion with an annual capacity of 770 million pounds expected to begin commercial production in the second quarter of 2008.

LyondellBasell Industries has a joint venture, PolyPacific Pty., which operates two PCMA facilities, one in Australia and one in Malaysia with annual PCMA compounding capacities of 110 million pounds and 20 million pounds, respectively. LyondellBasell Industries owns 50% of this joint venture and markets a portion of the PCMAs produced by the joint venture.

In Japan, LyondellBasell Industries has a joint venture, SunAllomer, which operates a PCMA facility with an annual PCMA compounding capacity of 45 million pounds. LyondellBasell Industries owns 50% of this joint venture and markets a portion of the PCMAs produced by the joint venture.

**Raw Materials**

The principal raw materials used by LyondellBasell Industries' polyolefins business are propylene and ethylene.

In Europe, LyondellBasell Industries has the capacity, through its chemicals segment, to produce approximately 45% of the propylene requirements of its European polypropylene business and in excess of 85% of the ethylene requirements of its European polyethylene business. European propylene and ethylene requirements that are not produced internally are purchased pursuant to long-term contracts with third-party suppliers. Prices under these third-party contracts are set quarterly in advance and are generally based on published market indicators, normally with discounts. Propylene and ethylene not produced internally (on-site at the facility) are delivered via pipeline.

Pro forma for the Lyondell acquisition, during 2007, LyondellBasell Industries North American propylene and ethylene production exceeded the North American raw material requirements of LyondellBasell Industries' polymers segment. However, not all raw material requirements for propylene and ethylene in this region are sourced internally by the chemicals segment.

In North America, LyondellBasell Industries' Mexican joint venture, Indelpro, receives all of its chemical and refinery grade propylene needs from Pemex, the state owned oil company of Mexico, under a long-term contract with favorable conditions. LyondellBasell Industries' other North American propylene requirements are generally sourced from the chemical segment's propylene splitter in Mont Belvieu, Texas, which is jointly owned with Enterprise Products Operating LLC, or are purchased pursuant to long-term contracts with third-party suppliers. LyondellBasell Industries' share of the splitter's annual propylene capacity is 490 million pounds. Propylene not produced internally (on-site at the facility) is delivered via pipeline.

Substantially all of the ethylene used in LyondellBasell Industries' North American polyethylene production is produced internally by the ethylene facilities in LyondellBasell Industries' chemicals business segment. LyondellBasell Industries' polyethylene facilities generally can receive their ethylene directly from LyondellBasell Industries' ethylene facilities via its pipeline system, pipelines owned by unrelated parties or on-site production. However, the polyethylene plants at Chocolate Bayou, La Porte and Bayport, Texas are connected by pipeline to unrelated parties and could receive ethylene via exchanges or purchases.

In its wholly-owned operations in Australia and Argentina, LyondellBasell Industries' key sources of propylene supply are from LyondellBasell Industries' own integrated splitter at Clyde (Australia), fed with third-party refinery grade propylene purchased under long-term competitive contracts linked to either fuel price markers or monomer/polymer markers with discounts. Some of the LyondellBasell Industries' international joint ventures receive propylene from their local shareholders under long-term contracts. The remaining supply for the joint ventures is purchased under long-term contracts from local suppliers and some spot purchases. For the new joint ventures, LyondellBasell Industries aims to achieve integration of monomer and polymer production. For example, LyondellBasell Industries' first Saudi polyolefins joint venture, SPC, which was started up in 2004, operates a PDH unit fed with competitively priced propane. The Al-Waha joint venture is based on the same structure, while the SEPC joint venture is based on an integrated complex, including a gas cracker utilizing cost advantaged Saudi Arabian ethane.

The raw materials for polyolefins are, in general, commodity chemicals with numerous bulk suppliers and ready availability at competitive prices. Historically, raw material availability for polyolefins has not been an issue. For additional discussion regarding the effects of raw material pricing and supply on recent operating results, see "Risk Factors—Risks Relating to the Businesses—Costs of raw materials and energy, as well as reliability of supply, may result in increased operating expenses and reduced results of operations" and "Operating and Financial Review."

Approximately 80% of the raw materials for LyondellBasell Industries' PCMAs are polypropylene and other polymers (primarily *Catalloy* process resins). LyondellBasell Industries PCMA facilities generally can receive their polypropylene and other polymers directly from LyondellBasell Industries' facilities via truck or rail car. The availability of multiple polypropylene and *Catalloy* process resins grades sourced internally allows LyondellBasell Industries to produce unique PCMA grades with properties that meet the profile of targeted applications. All monomers used as raw materials for *Catalloy* process resins and PB-1 are sourced from third parties.

**Competition and Industry Conditions**

Competition in the polymers businesses is based on price, product quality, product delivery, reliability of supply, product performance and customer service. Industry consolidation in North America and Europe has led to fewer, although larger, competitors. Profitability is affected not only by supply and demand for polymers, but also by raw material costs and price competition among producers, which may intensify due to, among other things, the addition of new capacity. In general, demand is a function of worldwide economic growth, which fluctuates. It is not possible to accurately predict the changes in raw material costs, market conditions, capacity utilization and other factors that will affect industry profitability in the future. Capacity share figures for LyondellBasell Industries' facilities and those of its competitors, discussed below, are based on completed production facilities and, where appropriate, include the full capacity of joint venture facilities.

Over the next five years LyondellBasell Industries expects that global polypropylene capacity additions will exceed the average annual worldwide demand growth by slightly more than 1% per year. LyondellBasell Industries expects that global polyethylene capacity additions over the next five years, primarily in the Middle East and Northeast Asia, will exceed the average annual worldwide demand growth by 1% per year.

Based on published data regarding polypropylene capacity, LyondellBasell Industries believes that, including the total capacity of its joint ventures, LyondellBasell Industries is the largest producer of polypropylene worldwide, with 15.4 billion pounds per year of capacity, or approximately 14% of the total worldwide capacity for polypropylene. LyondellBasell Industries' largest competitors for sales of polypropylene are Borealis, China National, ExxonMobil, Formosa Plastics Corporation ("Formosa"), Ineos, Reliance, SABIC, Sinopec and TOTAL.

With respect to polyethylene, LyondellBasell Industries believes that, including the total capacity of its joint ventures, LyondellBasell Industries is the third largest producer of polyethylene worldwide, with 11.5 billion pounds per year of capacity, or approximately 6% of the total worldwide capacity for polyethylene, based on published data regarding polyethylene capacity. LyondellBasell Industries' largest competitors for sales of polyethylene are Borealis, ChevronPhillips, China National, Dow, ExxonMobil, Ineos-NOVA, National Petroleum Company (Iran), SABIC and Sinopec.

LyondellBasell Industries believes it is the largest PCMA producer in the world, with 1.8 billion pounds of wholly-owned installed annual capacity. Approximately 68% of LyondellBasell Industries' PCMA capacity is in Europe, 9% is in North America, and 23% is in the rest of the world (including the capacity of LyondellBasell Industries' joint ventures). LyondellBasell Industries' competitors for sales of PCMAs are SABIC, Borealis, ExxonMobil, Washington Penn, Mitsui, Schulman and many independent companies.

LyondellBasell Industries is the only manufacturer of *Catalloy* process resins, which are LyondellBasell Industries' proprietary products. *Catalloy* process resins compete with a number of other materials, such as flexible PVC, ethylene propylene rubber and acrylonitrile butadiene styrene (ABS), polycarbonate, metals and reinforced polyurethanes. Soft *Catalloy* process resins compete with plastics such as flexible PVC and ethylene propylene rubber in application segments, including single ply roofing. Stiff *Catalloy* process resins compete with polystyrene and ABS. In applications, such as automotive bumpers, *Catalloy* process resins grades compete with polycarbonates, metal, reinforced polyurethanes and PCMAs.

LyondellBasell Industries' PB-1 business competes with Mitsui. In particular, in the pipe market PB-1 competes with cross linked polyethylene, which is cheaper but does not offer the same balance of flexibility and toughness that makes PB-1 pipe unique in its application. In the specialty area, PB-1 competes with a number of proprietary and sophisticated polymers, plastomers and elastomers, depending on the specific application. LyondellBasell Industries is the larger of two PB-1 producers in the world, with an annual capacity of 100 million pounds.

## FUELS SEGMENT

### Overview

LyondellBasell Industries' fuels business segment refines heavy, high-sulfur crude oil, and produces gasoline blending components.

LyondellBasell Industries' U.S. refinery (the "Refinery"), which is located on the Houston Ship Channel in Houston, Texas, has a heavy, high sulfur crude oil processing capacity of approximately 268,000 barrels per day on a calendar day basis (normal operating basis), or approximately 280,000 barrels per day on a stream day basis (maximum achievable over a 24 hour period). The Refinery is a full conversion refinery designed to run heavy (16 to 18 degrees API), high sulfur crude oil. This crude oil is more viscous and dense than traditional crude oil and contains higher concentrations of sulfur and heavy metals, making it more difficult to refine into gasoline and other high value fuel products. However, this crude oil has historically been less costly to purchase. Processing heavy, high sulfur crude oil in significant quantities requires a refinery with extensive coking, catalytic cracking, hydrotreating and desulfurization capabilities, i.e., a "complex refinery." The Refinery's complexity enables it to operate in full conversion mode, producing a slate of products that consists primarily of high value, clean products. The Refinery's clean products include gasoline (including blendstocks for oxygenate blending), jet fuel and ultra low sulfur diesel. The Refinery's products also include heating oil, lube oils (industrial lubricants, white oils and process oils), carbon black oil, refinery-grade propylene, petrochemical feedstocks, sulfur, residual fuel, petroleum coke and aromatics. The aromatics produced are benzene and toluene.

On April 1, 2008, LyondellBasell Industries acquired an integrated refinery at Berre l'Etang and related businesses in France from Société des Pétroles Shell for $700 million. The refinery has historically maintained a throughput of approximately 105,000 barrels per day. LyondellBasell Industries is currently the refinery's largest customer. This acquisition enhances raw material integration for LyondellBasell Industries' operations in France and supports its polyolefins business in Europe. The acquisition of this refinery will also provide LyondellBasell Industries with access to significant logistics assets, including pipeline access, storage terminals and harbor access to the Mediterranean Sea. The following discussion of the fuels segment does not include information relating to the Berre l'Etang refinery.

The fuels segment also produces gasoline blending components such as MTBE, ETBE and alkylate. MTBE is produced at three facilities located in Texas, and MTBE and ETBE are produced at one facility located in France and one facility located in The Netherlands. Alkylate is produced at one facility located in Texas.

The following table outlines:

- the primary products of LyondellBasell Industries' fuels segment;
- annual rated capacity (on a calendar day basis) as of December 31, 2007; and
- the primary uses for those products.

See "Properties" for the locations where LyondellBasell Industries produces the primary products of its fuels segment.

The term "annual rated capacity," as used in this table, is calculated by estimating the average number of days in a typical year that a production unit of a plant is expected to operate, after allowing for downtime for regular maintenance, and multiplying that number by an amount equal to the unit's optimal daily output based on the design raw material mix. Because the rated capacity of a production unit is an estimated amount, the actual production volumes may be more or less than the rated capacity.

| Product | Annual Capacity | Primary Uses |
|---|---|---|
| Gasoline and components | 120,000 barrels per day | Automotive fuel |
| Ultra Low Sulfur Diesel | 95,000 barrels per day | Fuel for diesel cars and trucks |
| Jet Fuel | 25,000 barrels per day | Aviation fuel |
| Aromatics: | | |
| Benzene (a) | 10 million gallons per year | Nylon for clothing and consumer items; polystyrene for insulation, packaging and drink cups |
| Toluene (a) | 46 million gallons per year | Gasoline component and chemical raw material for producing benzene |
| Paraxylene (a)(b) | 266 million pounds per year | Polyester fibers for clothing and fabrics, PET soft drink bottles and films for audio and video tapes |
| Orthoxylene (a)(b) | 226 million pounds per year | Plasticizer in products such as rainwear, shower curtains, toys and auto upholstery and an intermediate in paints and fiberglass |
| Lube Oils (c) | 4,000 barrels per day | Automotive and industrial engine and lube oils, railroad engine additives and white oils for food-grade applications |
| Gasoline Blending Components: | | |
| Methyl Tertiary Butyl Ether (MTBE)/ | 1,181 million gallons | MTBE is a high octane gasoline blending component; |
| Ethyl Tertiary Butyl Ether (ETBE) | (77,000 barrels/day) (c) | ETBE is an alternative gasoline blending component based on agriculturally produced ethanol |
| Alkylate | 337 million gallons | Alkylate is a high octane gasoline blending component. |

(a) Produced by the fuels business and marketed by the chemicals business.
(b) LyondellBasell Industries ceased production of paraxylene and orthoxylene in January 2008.
(c) Represents total MTBE capacity. LyondellBasell Industries also produces ETBE in France and has the ability to produce ETBE at its Channelview, Texas plant as an alternative to MTBE production.

**Marketing and Sales**

In 2007, no single fuels segment customer accounted for 10% or more of LyondellBasell Industries' total revenues pro forma for the Lyondell acquisition.

LyondellBasell Industries markets and sells gasoline (including blendstocks for oxygenate blending), jet fuel, heating oil, ultra low sulfur diesel fuel, coke and sulfur produced at the Refinery. These products are sold in large commodity markets. The Refinery evaluates and determines its optimal product output mix, based on spot market prices and conditions. As a result, LyondellBasell Industries is subject to various risks associated with selling commodity products. See "Risk Factors—Risks Relating to the Businesses—LyondellBasell Industries sells commodity products in highly competitive global markets and faces significant price pressures." Benzene and toluene produced by the Refinery are marketed by LyondellBasell Industries' chemicals business. LyondellBasell Industries ceased production of paraxylene and orthoxylene in January 2008.

Gasoline sales accounted for less than 10% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition.

The Refinery's products primarily are sold in bulk on the U.S. Gulf Coast to other refiners, marketers, distributors and wholesalers, at market-related prices. Diesel fuel is produced to meet ultra low sulfur specifications for the on-road transportation market. Most of the Refinery's products are sold under contracts with a term of one year or less or are sold in the spot market. The Refinery's products generally are transported to customers via pipelines and terminals owned and operated by other parties. Products also are transported via rail car, barge, truck and ocean-going vessel. In addition to sales of refined products produced at the Refinery, LyondellBasell Industries also sells refined products purchased or received on exchange from other parties. The exchange arrangements help optimize refinery supply operations and lower transportation costs. To meet market demands, LyondellBasell Industries also from time to time purchases refined products manufactured by others for resale to LyondellBasell Industries' customers. However, purchased volumes have not historically had a significant impact on profitability.

MTBE, ETBE and alkylate are gasoline blending components. In North America, LyondellBasell Industries produces MTBE at three facilities in Texas and produces alkylate at one facility in Texas. LyondellBasell Industries also has the ability to produce ETBE at one of the Texas facilities as an alternative to MTBE production.

In Europe, LyondellBasell Industries produces MTBE and ETBE at a plant in Fos-sur-Mer, France and a plant at Botlek (near Rotterdam), The Netherlands. MTBE and ETBE are derivatives of TBA, which is a co-product of the PO produced by LyondellBasell Industries' chemicals business segment. Production levels at the PO/TBA co-product production facilities primarily are determined by the demand for LyondellBasell Industries' PO and PO derivatives. Accordingly, the resulting production levels of the TBA derivatives (such as MTBE and ETBE) depend primarily on the demand for PO and PO derivatives and secondarily on the relative market demand for MTBE and ETBE, as well as the operational flexibility of LyondellBasell Industries' multiple production facilities in meeting this demand. Separately, MTBE and alkylate also are produced as derivatives of the ethylene co-products produced by LyondellBasell Industries' chemicals business segment. When necessary, LyondellBasell Industries purchases MTBE for resale to satisfy customer demand for MTBE above LyondellBasell Industries' production levels. Volumes of MTBE purchased for resale can vary significantly from period to period. However, purchased volumes have not historically had a significant impact on profitability.

LyondellBasell Industries sells its MTBE and ETBE production under market-based sales agreements and in the spot market. LyondellBasell Industries blends its alkylate into gasoline and also sells alkylate under short-term contracts and in the spot market. MTBE and ETBE together accounted for less than 10% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition. Sales of alkylate accounted for less than 10% of Lyondell's LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition.

Substantially all refiners and blenders have discontinued the use of MTBE in the U.S., partly as a result of U.S. federal governmental initiatives to increase use of bio-ethanol in gasoline as well as some state legislation to reduce or ban the use of MTBE. However, MTBE demand for gasoline blending remains strong within the remaining global market. Accordingly, LyondellBasell Industries is marketing its MTBE produced in the U.S. for use outside of the U.S. LyondellBasell Industries' U.S.-based and European-based MTBE plants generally have the flexibility to produce either MTBE or ETBE to accommodate market needs. LyondellBasell Industries produces ETBE in Europe to address Europe's growing demand for biofuels. See "Risk Factors—Risks Relating to the Businesses—Legislative and other actions have eliminated substantially all U.S. demand for MTBE. Therefore, LyondellBasell Industries has been selling its U.S.-produced MTBE for use outside of the U.S., and may in the future produce an alternative gasoline blending component, iso-octene, in the U.S., which may be less profitable than MTBE" for additional discussion regarding these U.S. federal and state initiatives and their impact on LyondellBasell Industries.

Sales of LyondellBasell Industries' MTBE, ETBE and alkylate are made by marketing and sales personnel from LyondellBasell Industries, and through distributors and independent agents located in the Americas, Europe, the Middle East, Africa and the Asia Pacific region. LyondellBasell Industries has centralized certain sales and order fulfillment functions in regional customer service centers located in Houston, Texas and Hong Kong, China. LyondellBasell Industries also has long-term contracts for distribution and logistics to ensure reliable and efficient supply to its customers. MTBE, ETBE and alkylate are transported by barge, ocean-going vessel and tank truck.

**Raw Materials**

Most of the crude oil used as a raw material for the Refinery is purchased under a crude supply agreement with PDVSA Petróleo, S.A. ("PDVSA Oil"), an affiliate of Petróleos de Venezulea, S.A. ("PDVSA"), the national oil company of Venezuela. The contract provides for the purchase and supply of 230,000 barrels per day of heavy, high sulfur crude oil and extends through 2011 and year to year thereafter. The contract incorporates market-based pricing, which is determined using a formula reflecting published market indices. The pricing formula is designed to be consistent with published prices for similar grades of crude oil.

There are risks associated with reliance on PDVSA Oil for supplies of crude oil and with enforcing the provisions of contracts with companies such as PDVSA Oil that are non-United States affiliates of a sovereign nation. For example, from time to time in the past, PDVSA Oil has declared itself in a force majeure situation and subsequently reduced deliveries of crude oil purportedly based on announced OPEC production cuts. Any modification, breach or termination of the crude oil contract, or any interruption in this source of crude oil, could adversely affect LyondellBasell Industries. For additional information regarding these risks, see "Risk Factors—Risks Relating to the Businesses—LyondellBasell Industries' crude oil contract with PDVSA Oil is subject to the risk of enforcing contracts against non-U.S. affiliates of a sovereign nation and political, force majeure and other risks."

LyondellBasell Industries' chemicals business converts most of its TBA to isobutylene and sells some of the TBA into the market. In the fuels segment, the isobutylene from the chemicals segment is reacted with methanol or ethanol to produce MTBE and ETBE. Methanex is the exclusive supplier of the worldwide methanol raw material requirements for LyondellBasell Industries (other than for the acetyls portion of its chemicals business segment, acquired in November 2004). The agreement provides supplies of methanol at cost-based prices through 2009, and Methanex has an option to extend the agreement for an additional period of up to three years. LyondellBasell Industries purchases its ethanol requirements for the production of ETBE from regional producers and importers in Europe at market-related prices. MTBE and alkylate also are produced as derivatives of LyondellBasell Industries' ethylene co-products produced by LyondellBasell Industries' chemicals business segment. For further discussion regarding the raw materials requirements for the production of MTBE, ETBE and alkylate, see "Chemicals Segment—Raw Materials."

**Competition and Industry Conditions**

The markets for fuels products tend to be volatile as well as cyclical as a result of changing crude oil and refined product prices. Crude oil prices are impacted by worldwide political events, the economics of exploration and production and refined products demand. Prices and demand for fuels products are influenced by seasonal and short-term factors such as weather and driving patterns, as well as by longer term issues such as the economy, energy conservation and alternative fuels. Industry fuels products supply is dependent on industry operating capabilities and on long-term refining capacity. Growth in demand for fuels products without comparable growth in U.S. supply or imports has led to tight fuels products supply conditions in the U.S.

LyondellBasell Industries competes for the purchase of heavy, high sulfur crude oils based on price and quality. Although most of LyondellBasell Industries' crude oil supplies are secured under long term contract with PDVSA Oil, supply disruptions could impact the availability and pricing for heavy, high sulfur crudes. LyondellBasell Industries competes in gasoline and distillate markets as a bulk supplier of fungible products satisfying industry and government specifications. Competition is based on price and location.

LyondellBasell Industries' refining competitors are major integrated oil companies, refineries owned or controlled by foreign governments, and independent domestic refiners. Based on published data, as of December 31, 2007, there were 149 operable crude oil refineries in the United States, and total U.S. refinery capacity was approximately 17.4 million barrels per day. During 2007, the Refinery processed an average of approximately 261,000 barrels per day of crude oil or approximately 1.5% of all U.S. crude capacity.

LyondellBasell Industries competes for sales of MTBE and ETBE with independent MTBE producers worldwide and independent ETBE producers in Europe. The most significant MTBE competitor is SABIC, and the most significant ETBE competitors are SABIC, Neste and Oxeno. Based in part on published data regarding capacity, LyondellBasell Industries believes that it is one of the largest marketers and producers of MTBE and ETBE worldwide. MTBE and ETBE face competition from products such as ethanol and other octane components. See "Risk Factors—Risks Relating to the Businesses—Legislative and other actions have eliminated substantially all U.S. demand for MTBE. Therefore, LyondellBasell Industries has been selling its U.S.-produced MTBE for use outside of the U.S., and may in the future produce an alternative gasoline blending component, iso-octene, in the U.S., which may be less profitable than MTBE." LyondellBasell Industries competes with other refiners and olefins manufacturers for sales of alkylate that LyondellBasell Industries does not internally blend into gasoline.

## TECHNOLOGY AND R&D SEGMENT

### Overview

Access to appropriate production process technology and catalysts is a key requirement for polyolefins producers. LyondellBasell Industries' technology and R&D segment licenses industry leading polyolefins process technologies, provides associated engineering and other services and develops, manufactures and sells polyolefins catalysts, providing polyolefins manufacturers with the capability to produce polyolefins. LyondellBasell Industries markets its process technologies and catalysts to external customers and also uses them for its own polyolefin manufacturing operations. LyondellBasell Industries' ability to offer a complete polyethylene and polypropylene technology portfolio enables polyolefins manufacturers to have a single provider for polyolefins processes technologies and catalyst systems.

LyondellBasell Industries' process licenses are structured to provide a standard core technology, with individual customer needs met by adding customized modules that provide the required capabilities to produce the defined production grade slate and plant capacity. For licenses involving proven technologies, LyondellBasell Industries typically receives the substantial majority of its license fees in cash at or before the date of customer acceptance. For these licenses, LyondellBasell Industries generally recognizes revenue at the date of delivery of the process design package and the related license. As part of the license agreement, long-term confidentiality obligations are used to protect the technology. A range of services can also be provided in addition to the basic license agreement. Such services may include project assistance, training, start-up assistance of the plant and possible supply of resins from LyondellBasell Industries' production for pre-marketing by the licensee. It is also possible to use LyondellBasell Industries' marketing and sales organizations to support the licensee on the development of their polyolefins business. In addition, licensees are continually required to purchase polyolefins catalysts that are consumed in the production process, generally under long-term catalyst supply agreements with LyondellBasell Industries.

#### Polyolefin Process Technology Licensing

LyondellBasell Industries is the leading licensor of polyolefin process technologies. LyondellBasell Industries is the only licensor offering the full range of process technologies for production of all polypropylene and polyethylene product families. LyondellBasell Industries' polypropylene licensing portfolio focuses primarily on its *Spheripol* and the more recently introduced *Spherizone* process technologies. LyondellBasell Industries' polyethylene licensing process portfolio focuses primarily on the *Lupotech T* (high pressure process for LDPE production), *Hostalen* (slurry process for bimodal HDPE production), and *Spherilene* and *Lupotech G* (gas phase processes for LLDPE to HDPE production) processes, all of which cover a wide range of polyethylene products for the global market.

Through December 31, 2007, LyondellBasell Industries has sold licenses representing over 44 billion pounds of polyolefins capacity. Historically, the polyolefins capacity has generally been split evenly between polypropylene and polyethylene. In 2007, Basell entered into licensing agreements representing approximately 8.8 billion pounds of polyolefins capacity. Process licenses accounted for less than 10% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition.

*Polypropylene Process Technology*

LyondellBasell Industries' *Spheripol* technology produces homopolymers and random copolymers in a single stage and impact copolymers in a multi stage process. *Spheripol* is the most widely used polypropylene production process in the world.

*Spherizone*, LyondellBasell Industries' newest process, commercialized in 2002 and introduced for licensing in 2003, is able to produce higher quality polypropylene and a wider product grade range than existing processes at similar operating cost. The *Spherizone* process introduces a single reactor concept, in which bimodality is created within one single reactor operating at different conditions between the different zones inside the reactor. The final product is a result of an intimate mixing of the different property determining phases at "macro molecular" level. LyondellBasell Industries began licensing the technology globally in October 2003.

*Metocene* polypropylene technology was introduced for licensing in 2006. The technology is used in the production of polyolefins based on single-site catalyst systems. *Metocene* technology can be adapted to virtually any polypropylene process, and its high versatility extends the end use product range of conventional polypropylene.

*Polyethylene Processes Technology*

The different families of polyethylene, HDPE, LDPE and LLDPE, require specialized process technologies for their production. LyondellBasell Industries' broad polyethylene process licensing portfolio offers solutions for the production of every family. Included in the portfolio are *Lupotech T*, *Spherilene*, *Hostalen* and *Lupotech G*.

*Lupotech T* is a high pressure tubular reactor process for the production of LDPE. High pressure technology does not use a typical catalyst system but adjusts process conditions to produce the desired products. The process produces the entire melt flow ratio and density range of LDPEs with low investment costs and low utility and raw material demand.

*Spherilene* is an advanced swing gas phase process for the production of a wide product portfolio ranging from LLDPE to HDPE. This process represents a highly flexible technology platform for production of grades from low-cost commodity to the most sophisticated high performance polyethylenes. The process provides easier and lower cost product grade change and reduces environmental impact.

*Hostalen* is a multi-stage slurry process for the production of HDPE. This is desirable because a different product structure can be produced in each stage, yielding products that are tailored for sophisticated end use applications, such as pipe.

*Lupotech G* is a single stage gas phase process. It is a low cost process focusing on producing specialty HDPE based on chromium catalyst systems for the production of sophisticated blow molding and film grades.

**Polyolefins Catalysts**

LyondellBasell Industries produces catalysts in Europe and the U.S. LyondellBasell Industries' polyolefin catalysts, which are consumed during the polyolefin production process and define the processing and mechanical properties of polyolefins, provide enhanced performance for LyondellBasell Industries' process technologies and are being developed to enhance performance when used in third-party process technologies. LyondellBasell Industries also supplies catalysts for producing sophisticated polyethylenes.

One of LyondellBasell Industries' core competencies is its strength in the manufacturing and use of proprietary catalysts supports. Supports are a key ingredient in the production of high efficiency polyolefins catalysts that enhance process performance.

LyondellBasell Industries' customers are continually required to purchase polyolefins catalysts because they are consumed during the polyolefin production process. New licensees generally elect to enter into long-term catalyst supply agreements with LyondellBasell Industries, as customers look primarily for top performance over an extended period of time and compatibility with the acquired technology. LyondellBasell Industries' advanced catalysts provide enhanced performance for its process technologies and may also enhance performance when used in third-party processes.

**Marketing and Sales**

In 2007, no single technology and R&D segment customer accounted for 10% or more of LyondellBasell Industries' total revenues pro forma for the Lyondell acquisition. LyondellBasell Industries markets its process technologies and catalysts to external customers and also uses them for its own polyolefin manufacturing operations. LyondellBasell Industries' ability to offer a complete polyethylene and polypropylene technology portfolio enables polyolefins manufacturers to have a single provider for polyolefins processes technologies and catalyst systems.

LyondellBasell Industries has a marketing and sales force dedicated to its technology and R&D segment, including catalyst sales and customer technical support for its licensees.

**Polyolefins Catalysts**

Under the *Avant* brand, LyondellBasell Industries is a leading manufacturer and supplier of polyolefins catalysts. Polyolefins catalysts accounted for less than 10% of LyondellBasell Industries' 2007 total revenues pro forma for the Lyondell acquisition. Polyolefins catalysts are packaged and shipped via truck.

**Competition and Industry Conditions**

Competition in the polyolefins process licensing industry is based on the quality and efficiency of the process technology, product performance and product application, complemented by customer service and technical support. LyondellBasell Industries' major competitors in polypropylene technologies licensing are Dow Chemical, Ineos-NOVA, Mitsui Chemicals, ExxonMobil and Sumitomo Chemical. LyondellBasell Industries' major competitors in polyethylene technologies licensing are ChevronPhillips, ExxonMobil, Ineos-NOVA, Mitsui Chemicals and Univation Technologies. LyondellBasell Industries is the leading licensor of polypropylene and polyethylene process technologies and is the only licensor offering the full range of process technologies for production of all polypropylene and polyethylene product families. LyondellBasell Industries has licensed close to 20 million tons of capacity based on its six process technologies to polyolefins manufacturers. LyondellBasell Industries estimates that it has licensed its process technologies to polyolefins manufacturers representing close to 50% of the world's polyolefins capacity currently under construction. As of December 31, 2007, LyondellBasell Industries estimates that approximately 40% of the world's installed polypropylene capacity and 11% of the world's installed polyethylene capacity used LyondellBasell Industries' licensed process technologies.

LyondellBasell Industries' major competitors in the global catalyst business are Dow Chemical, BASF, Mitsui Chemicals, Toho Catalyst and WR Grace. LyondellBasell Industries is the world's largest manufacturer and supplier of polypropylene catalysts, with approximately one-third of global polypropylene catalyst production. LyondellBasell Industries also supplies catalysts for producing sophisticated polyethylenes.

## RESEARCH AND TECHNOLOGY

LyondellBasell Industries conducts research and development principally at its locations in Cincinnati, Ohio, Newtown Square, Pennsylvania, Frankfurt, Germany and Ferrara, Italy. Approximately 1100 employees are directly engaged in research and development activities.

LyondellBasell Industries' financial performance and market position depend in substantial part on LyondellBasell Industries' ability to improve its existing products and discover and commercialize new materials, catalysts and processes. LyondellBasell Industries' research and development activities are designed to deliver innovative and commercially relevant technologies at a competitive cost to LyondellBasell Industries' business segments. These activities are focused around, process development, product and application development, catalyst development and fundamental chemicals and polyolefins research.

In addition to its research and development activities, LyondellBasell Industries provides technical support to its customers. This support is driven by LyondellBasell Industries' advanced polyolefins business. LyondellBasell Industries' technical support centers are located in Bayreuth, Germany, Geelong, Australia, Lansing, Michigan, Tarragona, Spain and Elkton, Maryland.

For 2007, the research and development expenditures for LyondellBasell Industries were $135 million, and the research and development expenditures for Lyondell prior to the acquisition were $72 million.

## INTELLECTUAL PROPERTY

LyondellBasell Industries maintains an extensive patent portfolio and continues to file new patent applications in the United States and other countries. As of December 31, 2007, LyondellBasell Industries owned approximately 9,600 patents worldwide. LyondellBasell Industries' patents and trade secrets cover LyondellBasell Industries' processes, products, and catalysts used for their production, and are significant to LyondellBasell Industries' competitive position, particularly with regard to propylene oxide, performance chemicals, petrochemicals, flavor and fragrance chemicals, polymers and LyondellBasell Industries' process technologies such as *Spheripol*, *Spherizone*, *Hostalen*, *Spherdene*, *Lupotech T*, *Lupotech G* and *Avant* catalyst. LyondellBasell Industries owns globally registered and unregistered trademarks including the "*LyondellBasell Industries*," "*Lyondell*," "*Equistar*," "*Millennium*" and "*Houston Refining*" trade names. While LyondellBasell Industries believes that its intellectual property provides competitive advantages, LyondellBasell Industries does not regard its businesses as being materially dependent upon any single patent, trade secret, or trademark. Some of LyondellBasell Industries' heritage production capacity operates under licenses from third parties.

LyondellBasell Industries relies on patent, copyright and trade secret laws of the U.S. and other countries to protect its investment in research and development, manufacturing and marketing. See "Risk Factors—Risks Related to the Business—Many of LyondellBasell Industries' businesses depend on intellectual property. LyondellBasell Industries' future success will depend in part on its ability to protect its intellectual property rights, and its inability to do so could reduce its ability to maintain competitiveness and its margins." LyondellBasell Industries' employees working on these technologies are required to enter into agreements, or are covered by other arrangements such as collective bargaining agreements, providing for confidentiality and the assignment of rights to inventions made by them while employed by LyondellBasell Industries.

## EMPLOYEE RELATIONS

As of March 31, 2008, LyondellBasell Industries had approximately 15,733 full-time and part-time employees. Of these employees, approximately 8,072 (51%) were located in North America, approximately 6,697 (43%) were located in Europe and approximately 964 (6%) were located in other locations outside of these two aforementioned regions.

As of March 31, 2008, approximately 13% of the legacy Lyondell employees located in North America were represented by labor unions. Of the legacy Lyondell employees located in the U.S. that are represented by labor unions, approximately 61% are covered by a collective bargaining agreement between Houston Refining and the United Steelworkers Union, which expires in January 2009. The majority of LyondellBasell Industries employees in Europe are subject to staff council or works council coverage or collective bargaining agreements. In addition to its own employees, LyondellBasell Industries uses the services of independent contractors in the routine conduct of its businesses. LyondellBasell Industries believes its relations with its employees are good.

## PROPERTIES

### Principal Manufacturing Facilities

The principal manufacturing facilities are set forth below, and are identified by the principal segment or segments using the facility. The table does not include the two facilities acquired in the SEP acquisition or the refinery in Berre l'Etang.

| Location | Segment | Principal Products |
|---|---|---|
| Aubette, France | Chemicals | Ethylene and Butadiene |
| Aubette, France | Polymers | Polypropylene and Polyethylene (LDPE) |
| Bayport (Pasadena), Texas * | Chemicals | EO, EG and other EO derivatives |
| Bayport (Pasadena), Texas (a)* | Chemicals | PO, PG, PGE, TBA and Isobutylene |
| Bayport (Pasadena), Texas (b)* | Polymers | Polyethylene (LDPE) |
| Bayport (Pasadena), Texas* | Polymers | Polypropylene and *Catalloy* process resins |
| Bayreuth, Germany* | Polymers | PCMAs |
| Beaumont, Texas (c) | Chemicals | EG |
| Botlek, Rotterdam, The Netherlands (d)* | Chemicals | PO, PG, PGE, TBA, Isobutylene and BDO |
| | Fuels | MTBE and ETBE |
| Brindisi, Italy | Polymers | Polypropylene |
| Brunswick, Georgia | Chemicals | Fragrance and flavor chemicals |
| Carrington, U.K.(d)* | Polymers | Polypropylene and Polyethylene (LDPE) |
| Channelview, Texas (e)* | Chemicals | Ethylene, Propylene, Butadiene, Benzene and Toluene |
| | Fuels | Alkylate and MTBE |
| Channelview, Texas (a)(f)* | Chemicals | PO, BDO, SM and Isobutylene |
| | Fuels | MTBE |
| Chiba, Japan (g) | Chemicals | PO, PG and SM |
| Chocolate Bayou, Texas (d)(h) | Chemicals | Ethylene, Propylene, Butadiene, Benzene and Toluene |
| | Fuels | MTBE |
| Chocolate Bayou, Texas (h)* | Polymers | Polyethylene (HDPE) |
| Clinton, Iowa * | Chemicals | Ethylene and Propylene |
| | Polymers | Polyethylene (LDPE and HDPE) |
| Clyde, Australia | Chemicals | Propylene |
| | Polymers | Polypropylene |
| Corpus Christi, Texas * | Chemicals | Ethylene, Propylene, Butadiene and Benzene |
| Ensenada, Argentina | Polymers | Polypropylene and PCMAs |
| Fairport Harbor, Ohio * | Polymers | Performance polymers |

| Location | Segment | Principal Products |
|---|---|---|
| Ferrara, Italy | Polymers | Polypropylene and *Catalloy* process resins |
| Fos-sur-Mer, France | Polymers | Polyethylene (LDPE) |
| Fos-sur-Mer, France (d) | Chemicals | PO, PG and TBA |
| | Fuels | MTBE and ETBE |
| Frankfurt, Germany | Polymers | Polyethylene (HDPE) |
| Geelong, Australia | Polymers | Polypropylene |
| Houston, Texas* | Fuels | Gasoline, Diesel, Jet Fuel, Benzene, Toluene and Lube Oils |
| Jackson, Tennessee* | Polymers | PCMAs |
| Jacksonville, Florida | Chemicals | Fragrance and flavor chemicals |
| Jubail, Saudi Arabia (i) | Polymers | Polypropylene |
| Jubail, Saudi Arabia (j) | Polymers | Polypropylene |
| Jubail, Saudi Arabia (k) | Polymers | Polyethylene (LDPE and HDPE) |
| Kawasaki, Japan (l) | Polymers | Polypropylene |
| Knapsack, Germany | Polymers | Polypropylene and PCMAs |
| La Porte, Texas * | Chemicals | Ethylene and Propylene |
| | Polymers | Polyethylene (LDPE and LLDPE) |
| La Porte, Texas | Chemicals | VAM and Acetic Acid |
| La Porte, Texas (m) | Chemicals | Methanol |
| Lake Charles, Louisiana (n) | Chemicals | Ethylene and Propylene |
| Lake Charles, Louisiana* | Polymers | Polypropylene and *Catalloy* process resins |
| Maasvlakte (near Rotterdam), The Netherlands (o) | Chemicals | PO and SM |
| Matagorda, Texas * | Polymers | Polyethylene (HDPE) |
| Milton Keynes, U.K.* | Polymers | PCMAs |
| Moerdijk, The Netherlands* | Polymers | *Catalloy* process resins and PB-1 |
| Morris, Illinois * | Chemicals | Ethylene and Propylene |
| | Polymers | Polypropylene and Polyethylene (LDPE and LLDPE) |
| Münchsmünster, Germany | Chemicals | Ethylene |
| | Polymers (p) | Polyethylene (HDPE) |
| Newark, New Jersey | Chemicals | Denatured Alcohol |
| Oita, Japan (l) | Polymers | Polypropylene and PCMAs |
| Pindamonhangaba, Brazil | Polymers | PCMAs |
| Plock, Poland (q) | Polymers | Polypropylene and Polyethylene (HDPE and LDPE) |
| Pont de Claix, France (r) | Chemicals | TDI |
| Port Klang, Malaysia (s) | Polymers | PCMAs |

| Location | Segment | Principal Products |
|---|---|---|
| Rayong, Thailand (t) | Polymers | Polypropylene |
| Rayong, Thailand | Polymers | PCMAs |
| Sarnia, Ontario (u) | Polymers | Polypropylene |
| Seoul, Korea (v) | Polymers | Polypropylene |
| Suzhou, China | Polymers | PCMAs |
| Tampico, Mexico (w) | Polymers | Polypropylene |
| Tarragona, Spain | Polymers | Polypropylene and PCMAs |
| Terni, Italy | Polymers | Polypropylene |
| Tuscola, Illinois | Chemicals | Ethanol |
| Varennes, Quebec (x) | Polymers | Polypropylene |
| Victoria, Australia (s) | Polymers | PCMAs |
| Victoria, Texas (d)* | Polymers | Polyethylene (HDPE) |
| Wesseling, Germany (y)* | Chemicals | Ethylene, Propylene and Butadiene |
| Wesseling, Germany* | Polymers | Polypropylene and Polyethylene (HDPE and LDPE) |

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* The facility, or portions of the facility, as applicable, owned by LyondellBasell Industries are mortgaged as collateral for indebtedness.

(a) The Bayport PO/TBA plants and the Channelview PO/SM I plant are held by the U.S. PO Joint Venture between Bayer and Lyondell. These plants are located on leased land.

(b) The facility is located on leased land. The facility is operated by an unrelated party.

(c) The Beaumont facility is owned by PD Glycol, a partnership owned 50% by an unrelated party. The facility is located on leased land.

(d) The facility is located on leased land.

(e) The Channelview facility has two ethylene processing units. An unrelated party owns an idled plant at the site on land leased from Lyondell. Lyondell also operates a styrene maleic anhydride unit and a polybutadiene unit, which are owned by an unrelated party and are located within the Channelview facility on property leased from Lyondell.

(f) Unrelated equity investors hold a minority interest in the PO/SM II plant at the Channelview facility.

(g) The PO/SM plant and the PG plant located in Chiba, Japan are owned by Nihon Oxirane, a joint venture owned 60% by an unrelated party.

(h) These facilities are not on contiguous property.

(i) This PDH and polypropylene plant is owned by SPC, a joint venture owned 75% by an unrelated party. SPC is currently constructing a second line scheduled to commence production in 2009.

(j) This *Spherizone* polypropylene and propane dehydrogenation manufacturing plant is presently under construction and is owned by Al-Waha, a joint venture owned 79% by unrelated parties. The plant is scheduled to commence production in the first quarter of 2009.

(k) This integrated polyethylene manufacturing complex is presently under construction and is owned by SEPC, a joint venture 75% owned by unrelated parties. The complex is scheduled to commence production in 2008.

(l) The Kawasaki and Oita plants are owned by SunAllomer, a joint venture of which LyondellBasell Industries owns 50%.

(m) The facility is leased by La Porte Methanol Company, a partnership owned 15% by an unrelated party.

(n) The Lake Charles ethylene and co-products facility has been idled since the first quarter of 2001. Although LyondellBasell Industries retains the physical ability to restart or sell that facility, in the third quarter of 2006 Lyondell determined that it had no expectation of resuming production at that facility. The facility and land are leased from Occidental under a lease that expires in May 2009.

(o) The plant is owned by the European PO Joint Venture and is located on land leased by the European PO Joint Venture.

(p) Currently being rebuilt following a fire in 2005.

(q) The Plock plant is owned by Orlen, a joint venture of which LyondellBasell Industries owns 50%.

(r) The plant is located on land leased by an unrelated party that operates the plant on behalf of LyondellBasell Industries. Certain assets are owned by the unrelated party.

(s) The Port Klang and Victoria plants are owned by PolyPacific Pty., a joint venture of which LyondellBasell Industries owns 50%.

(t) The Rayong plant is owned by HMC, a joint venture owned 71% by unrelated parties. HMC is currently constructing a new *Spherizone* polypropylene line scheduled to commence production in 2009.
(u) This line will cease production in mid-2008.
(v) The Seoul plant is owned by PolyMirae, a joint venture owned 65% by unrelated parties.
(w) The Tampico plant is owned by Indelpro, a joint venture owned 51% by an unrelated party. Indelpro is currently constructing a new polypropylene *Spherizone* plant, which is expected to commence production in 2008.
(x) This line will be shut down in 2008.
(y) There are two steam crackers at the Wesseling, Germany site.

**Other Locations and Properties**

LyondellBasell Industries' principal executive offices are located in Rotterdam, The Netherlands. LyondellBasell Industries also has executive offices, primarily for the operation of its subsidiary Lyondell, in downtown Houston, Texas. LyondellBasell Industries also maintains research facilities in Newtown Square, Pennsylvania, Elkton, Maryland, Ferrara, Italy and Frankfurt, Germany. LyondellBasell Industries' Asia Pacific headquarters are located in Hong Kong. LyondellBasell Industries also has technical support centers in Bayreuth, Germany, Geelong, Australia, Lansing, Michigan and Tarragona, Spain. LyondellBasell Industries has various sales facilities worldwide.

Depending on location and market needs, LyondellBasell Industries' production facilities can receive primary raw materials by pipeline, rail car, truck, barge or ocean-going vessel and can deliver finished products by pipeline, rail car, truck, barge, isotank, ocean-going vessel or in drums. LyondellBasell Industries charters ocean-going vessels, owns and charters barges, and leases isotanks and rail cars for the dedicated movement of products between plants, products to customers or terminals, or raw materials to plants, as necessary. LyondellBasell Industries also has barge docking facilities and related terminal equipment for loading and unloading raw materials and products. LyondellBasell Industries owns and leases rail cars for use in its businesses. LyondellBasell Industries uses an extensive pipeline system in Texas and Louisiana, some of which it owns and some of which it leases, that connects to its manufacturing and storage facilities. LyondellBasell Industries leases liquid and bulk storage and warehouse facilities at terminals in the Americas, Europe and the Asia Pacific region. LyondellBasell Industries owns storage capacity for NGLs, ethylene, propylene and other hydrocarbons in caverns within a salt dome in Mont Belvieu, Texas, and operates additional ethylene and propylene storage facilities with related brine facilities on leased property in Markham, Texas.

## LEGAL PROCEEDINGS

**Litigation Matters**

LyondellBasell Industries, its subsidiaries and its joint ventures are, from time to time, defendants in lawsuits, some of which are not covered by insurance. Many of these suits make no specific claim for relief. Although final determination of legal liability and the resulting financial impact with respect to any such litigation cannot be ascertained with any degree of certainty, LyondellBasell Industries does not believe that any ultimate uninsured liability resulting from the legal proceedings in which it or its joint ventures currently are involved (directly or indirectly) will individually, or in the aggregate, have a material adverse effect on the business or financial position of LyondellBasell Industries. However, the adverse resolution in any reporting period of one or more of these suits could have a material impact on LyondellBasell Industries' results of operations for that period, which may be mitigated by contribution or indemnification obligations of co-defendants or others, or by any insurance coverage that may be available.

Although LyondellBasell Industries and its joint ventures are involved in numerous and varied legal proceedings, a significant portion of their outstanding litigation arose in five contexts: (1) claims for personal injury or death allegedly arising out of exposure to the products produced by or located on the premises of the respective entities; (2) claims for personal injury or death, and/or property damage allegedly arising out of the generation and disposal of chemical wastes at Superfund and other waste disposal sites; (3) claims for personal injury, property damage and/or air, noise and water pollution allegedly arising out of operations; (4) employment and benefits related claims; and (5) commercial disputes.

**Merger-Related Litigation**—Two shareholder lawsuits styled as class actions have been filed against LyondellBasell Industries, its subsidiary that merged with and into LCC on December 20, 2007 ("Merger Sub"), and LCC and its former directors. The lawsuits are entitled *Plumbers and Pipefitters Local 51 Pension Fund, On Behalf of Itself and Others Similarly Situated v. Lyondell Chemical Company, et al.* (filed July 23, 2007 in the District Court of Harris County, Texas) and *Walter E. Ryan Jr., Individually and on Behalf of All Other Similarly Situated v. Lyondell Chemical Company, et al.* (filed August 20, 2007 in the Court of Chancery of the State of Delaware). The complaints generally allege that (1) LCC's board of directors breached their fiduciary duties in negotiating and approving the merger and by administering an unfair sale process that failed to maximize shareholder value, and engaged in self dealing by obtaining unspecified personal benefits in connection with the merger not shared equally by other shareholders; and (2) LCC, LyondellBasell Industries and Merger Sub aided and abetted the LCC board of directors in breaching their fiduciary duties. In addition, the complaints allege that LCC and its board of directors failed to disclose in the preliminary proxy statement certain information regarding the merger and the process leading up to the merger. The plaintiffs in these lawsuits sought to enjoin the merger. In the Texas case, a hearing was held on November 9, 2007 on a motion filed by plaintiff for a preliminary injunction against the merger and the taking of the shareholder vote. On November 13, 2007, the judge in the Texas case denied the plaintiff's motion for preliminary injunction. On February 1, 2008, the judge granted a plea to the jurisdiction and dismissed the case; the deadline for plaintiff to appeal this decision expired March 3, 2008. In the Delaware case, a hearing was held on November 26, 2007 on motions filed by defendants for summary judgment and for certification of the plaintiff class. The court granted the motion for certification and has not yet ruled on the other motion. The merger was consummated on December 20, 2007. Plaintiffs seek rescission of the merger, a constructive trust upon any benefits improperly received by any of the defendants, other unspecified equitable relief, and an award of attorneys' fees and costs. LyondellBasell Industries believes that the lawsuits are without merit and that it has valid defenses to all claims and will vigorously defend this litigation.

**Basell**—Two legacy Basell subsidiaries, Basell UK Ltd. and Basell Polyolefins UK Ltd., are subject to a claim related to the U.K. pension fund of a former shareholder. The claim was made following the termination of the membership of these two subsidiaries in the fund in connection with the 2005 acquisition of Basell by Access. The trustee committee of the fund claimed an exit fee of GBP 44 million on the basis of certain actuarial and financial assumptions, which LyondellBasell Industries disputed. Subsequently, the fund accepted certain financial assumptions argued by Basell, and issued a reduced exit fee invoice. LyondellBasell Industries plans to vigorously defend this claim, and believes that a significant portion of any exit fee can be charged to one of the former shareholders based on indemnification clauses in earlier merger agreements and the provisions of a service agreement. In the absence of a settlement of the exit fee under the UK pension scheme, the amount of the indemnity claim is not yet determinable. LyondellBasell Industries does not expect the resolution of these matters to result in any material adverse effect on its business, financial position, liquidity or results of operations.

**LCC**—On April 12, 2005, BASF Corporation ("BASF") filed a lawsuit against LCC in the Superior Court of New Jersey, Morris County asserting various claims relating to alleged breaches of a propylene oxide sales contract and seeking damages in excess of $100 million. LCC denies it breached the contract. LCC believes the maximum refund due to BASF is $22.5 million on such propylene oxide sales and has paid such amount to BASF. On August 13, 2007, the jury returned a verdict in favor of BASF in the amount of approximately $170 million (which includes the above $22.5 million). On October 3, 2007, the judge determined that prejudgment interest on the verdict would be $36 million. LCC is appealing this verdict and has posted a bond, which is collateralized by a $200 million letter of credit. LyondellBasell Industries does not expect the verdict to result in any material adverse effect on its business, financial position, liquidity or results of operations.

Beginning November 2004, several lawsuits styled as class actions on behalf of U.S. purchasers were filed in federal court against LCC and certain other chemical companies alleging violations of U.S. antitrust law in connection with the manufacture and sale of polyether polyols, methylene diphenyl diisocyanate ("MDI") and toluene diisocyanate ("TDI"), and seeking treble damages in an unspecified amount. The lawsuits have been consolidated by the Judicial Panel for Multidistrict Litigation in the United States District Court for the District of Kansas. In addition, in May 2006, two lawsuits styled as class actions were filed in the Ontario Superior Court of Justice, London, Ontario, Canada and the Superior Court, Province of Quebec, District of Quebec, Canada, both alleging claims and seeking relief similar to that in the Multidistrict Litigation. In June 2007, LCC was named as an additional defendant in a case previously filed in the Superior Court for the State of California, County of San Francisco, on behalf of indirect purchasers of polyether polyols, MDI and TDI and other products alleging claims and seeking relief similar to that in the Multidistrict Litigation. The case has been stayed pending further order of the California court. LCC believes that it has valid defenses to all claims. Also, LCC received a document subpoena dated February 15, 2006 from the Antitrust Division of the U.S. Department of Justice (the "DOJ") regarding the manufacture and sale of the above products. LCC cooperated with the DOJ in connection with the subpoena and, on December 10, 2007, the DOJ notified LCC that it had closed the grand jury investigation of possible antitrust violations by manufacturers of TDI, MDI and polyether polyols. At this time, LCC believes it has not violated any antitrust laws. LyondellBasell Industries does not expect the resolution of these matters to result in any material adverse effect on its business, financial position, liquidity or results of operations.

**Millennium**—In 2004, Lyondell's Millennium subsidiary received requests from the staff of the Northeast Regional Office of the Securities and Exchange Commission for the voluntary production of documents in connection with an informal inquiry into the previously disclosed restatement of Millennium's financial statements for the years 1998 through 2002 and for the first quarter of 2003. Millennium has complied with all such requests received. On November 26, 2007, Millennium was notified that the Securities and Exchange Commission had completed its investigation and did not intend to recommend any enforcement action.

Together with alleged past manufacturers of lead-based paint and lead pigments for use in paint, Millennium has been named as a defendant in various legal proceedings alleging personal injury, property damage, and remediation costs allegedly associated with the use of these products. The plaintiffs include individuals and governmental entities, and seek recovery under a variety of theories, including negligence, failure to warn, breach of warranty, conspiracy, market share liability, fraud, misrepresentation and nuisance. The majority of these legal proceedings assert unspecified monetary damages in excess of the statutory minimum and, in certain cases, seek equitable relief such as abatement of lead-based paint in buildings. Legal proceedings relating to lead pigment or paint are in various trial stages and post-dismissal settings, some of which are on appeal.

Millennium's defense costs to date for lead-based paint and lead pigment litigation largely have been covered by insurance. Millennium has not accrued any liabilities for any lead-based paint and lead pigment litigation. Millennium has insurance policies that potentially provide approximately $1 billion in indemnity coverage for lead-based paint and lead pigment litigation. Millennium's ability to collect under the indemnity coverage would depend upon, among other things, the resolution of certain potential coverage defenses that the insurers are likely to assert and the solvency of the various insurance carriers that are part of the coverage block at the time of such a request. As a result of insurance coverage litigation initiated by Millennium, an Ohio trial court issued a decision in 2002 effectively requiring certain insurance carriers to resume paying defense costs in the lead-based paint and lead pigment cases. Indemnity coverage was not at issue in the Ohio court's decision. On February 23, 2006, certain Lloyd's, London insurance underwriters filed a declaratory judgment action in the Supreme Court of the State of New York (trial court) against several of their policyholders, including Millennium, contesting their responsibility to provide insurance coverage for all of the lead-based paint and lead pigment cases, including the Rhode Island case discussed below. On March 7, 2006, Millennium filed an amended complaint in the Ohio case referenced above that revived its Ohio state court litigation, seeking, among other relief, a declaratory judgment as to the responsibility of all of its insurance carriers for any judgments or settlements in connection with any lead-based paint and lead pigment litigation involving Millennium. On April 26, 2006, the judge in the Ohio case granted Millennium's motion to amend the complaint to include all insurance carriers. On March 14, 2006, Millennium filed a motion to dismiss the New York case in favor of the pre-existing Ohio action, and on August 8, 2006, the Supreme Court of the State of New York dismissed the declaratory judgment action as to all carriers except those that asserted cross claims against Millennium, which cross claims were stayed. On or about October 5, 2006, Lloyd's, London filed a notice of appeal of the New York trial court's decision. This appeal was heard by the New York Supreme Court Appellate Division on October 3, 2007. On October 25, 2007, the Appellate Division upheld the trial court's dismissal of Lloyd's, London's declaratory judgment action. In addition to the declaratory judgment action initiated by certain Lloyd's, London underwriters, certain excess carriers filed cross-claims in New York seeking similar declaratory relief. These claims were initially stayed and were subsequently dismissed on September 18, 2007. On December 28, 2007, some, but not all, of these excess carriers filed a notice of appeal of the trial court's dismissal. The insurance carriers have in the past and may in the future attempt to deny indemnity coverage if there is ever a settlement or a final, non-appealable adverse judgment in any lead-based paint or lead pigment case.

After owning the Glidden Paints business for six months, in 1986, a predecessor of a current subsidiary of Millennium sold, through a stock sale, its Glidden Paints business. As part of that sale, the seller and purchaser agreed to provide indemnification to each other against certain claims made during the first eight years after the sale, and the purchaser agreed to fully indemnify the seller against such claims made after the eight-year period. With the exception of two cases described below, all pending lead-based paint and lead pigment litigation involving Millennium, including the Rhode Island case, were filed after the eight-year period. Accordingly, Millennium believes that it is entitled to full indemnification from the purchaser against lead-based paint and lead pigment cases filed after the eight-year period. The purchaser disputes that it has such an indemnification obligation, and claims that the seller must indemnify it. As Millennium has not paid either a settlement or any judgment, its indemnification claims have not been finally resolved. On March 28, 2008, Millennium filed an action in New York Supreme Court against ICI America seeking to confirm ICI America's indemnification obligation to Millennium. The only two remaining cases originally filed within the eight-year period following the 1986 sale of the Glidden Paints business include as parties a current Millennium subsidiary and an alleged predecessor company. One case filed by the New York City Housing Authority remains inactive. The other matter is a personal injury case in Ohio. On January 25, 2007, the Ohio Court of Appeals affirmed summary judgment in favor of Millennium and its co-defendants and, on June 20, 2007, the Ohio Supreme Court declined to hear plaintiff's appeal.

LyondellBasell Industries believes that Millennium has valid defenses to all pending lead-based paint and lead pigment proceedings and is vigorously defending them. However, litigation is inherently subject to many uncertainties. Additional lead-based paint and lead pigment litigation may be filed against Millennium in the future asserting similar or different legal theories and seeking similar or different types of damages and relief, and any adverse court rulings or determinations of liability, among other factors, could affect the litigation by encouraging an increase in the number of future claims and proceedings. In addition, from time to time, legislation and administrative regulations have been enacted or proposed to impose obligations on present and former manufacturers of lead-based paint and lead pigment respecting asserted health concerns associated with such products or to overturn successful court decisions. Millennium is unable to predict the outcome of lead-based paint and lead pigment litigation, the number or nature of possible future claims and proceedings, or the effect that any legislation and/or administrative regulations may have on Millennium. In addition, management cannot reasonably estimate the scope or amount of the costs and potential liabilities related to such litigation, or any such legislation and regulations. Accordingly, LyondellBasell Industries has not accrued any amounts for such litigation.

Since the beginning of 2007, 33 cases have been dismissed either voluntarily, upon defendants' motion, or tried to a jury verdict favorable to defendants, including Millennium. Millennium currently remains named a defendant in 22 cases arising from Glidden's manufacture of lead pigments. These cases are in various stages of the litigation process. Of the 22 cases, most seek damages for personal injury and are brought by individuals, and four of the cases seek damages and abatement remedies based on public nuisance and are brought by states, cities and/or counties in three states (California, Ohio and Rhode Island).

On October 29, 2002, after a trial in which the jury deadlocked, the court in *State of Rhode Island v. Lead Industries Association, Inc., et al.* (which commenced in the Superior Court of Providence, Rhode Island, on October 13, 1999) declared a mistrial. The sole issue before the jury was whether lead pigment in paint in and on public and private Rhode Island buildings constituted a "public nuisance." The new trial in this case began on November 1, 2005. On February 22, 2006, a jury returned a verdict in favor of the State of Rhode Island finding that the cumulative presence of lead pigments in paints and coatings on buildings in the state constitutes a public nuisance; that a Millennium subsidiary and other defendants either caused or substantially contributed to the creation of the public nuisance; and that those defendants, including the Millennium subsidiary, should be ordered to abate the public nuisance. On February 28, 2006, the judge held that the state could not proceed with its claim for punitive damages. On February 26, 2007, the court issued its decision denying the post-verdict motions of the defendants, including Millennium, for a mistrial or a new trial. The court concluded that it would enter an order of abatement and appoint a special master to assist the court in determining the scope of the abatement remedy. On March 16, 2007, the court entered a final judgment on the jury's verdict. On March 20, 2007, Millennium filed its notice of appeal with the Rhode Island Supreme Court. On December 18, 2007, the trial court appointed two special masters to serve as "examiners" and to assist the trial court in the proposed abatement proceedings.

## Environmental Matters

From time to time LyondellBasell Industries and its joint ventures receive notices or inquiries from federal, state or local governmental entities of alleged violations of environmental laws and regulations pertaining to, among other things, the disposal, emission and storage of chemical and petroleum substances, including hazardous wastes. Any such alleged violations may become the subject of enforcement actions, settlement negotiations or other legal proceedings and may (individually or in the aggregate) involve monetary sanctions of $100,000 or more (exclusive of interest and costs).

LyondellBasell Industries' accrued liability for future environmental remediation costs at current and former plant sites and other remediation sites totaled $260 million (€193 million) as of December 31, 2007. The remediation expenditures are expected to occur over a number of years, and not to be concentrated in any single year. In the opinion of management, there is no material estimable range of reasonably possible loss in excess of the liabilities recorded for environmental remediation. However, it is possible that new information about the sites for which the accrual has been established, new technology or future developments such as involvement in investigations by regulatory agencies, could require LyondellBasell Industries to reassess its potential exposure related to environmental matters. The liabilities for individual sites range from less than $1 million (€1 million) to $145 million (€99 million). The $145 million liability relates to the Kalamazoo River Superfund Site. For additional information regarding environmental matters, including the liability related to the Kalamazoo River Superfund Site, see "Risk Factors—Risks Relating to the Businesses—LyondellBasell Industries' operations and assets are subject to extensive environmental, health and safety and other laws and regulations, which could result in material costs or liabilities."

In December 2006, the State of Texas filed a lawsuit in the District Court, Travis County, Texas, against Equistar and its owners, Lyondell and Millennium, alleging past violations of various environmental regulatory requirements at Equistar's Channelview, Chocolate Bayou and La Porte, Texas facilities and Millennium's La Porte, Texas facility, and seeking an unspecified amount of damages. The previously disclosed Texas Commission on Environmental Quality ("TCEQ") notifications alleging noncompliance of emissions monitoring requirements at Equistar's Channelview facility and Millennium's La Porte facility and seeking civil penalties of $167,000 and $179,520, respectively, have been included as part of this lawsuit. LyondellBasell Industries does not believe that the ultimate resolution of this matter will have a material adverse effect on the business, financial position, liquidity or results of operations of LyondellBasell Industries.

**Equistar—**In May 2007, the TCEQ notified Equistar that it is seeking a civil penalty of $160,843 in connection with alleged noncompliance during 2002, 2005 and 2006 with various air pollution regulations at the Channelview facility and that it is seeking a civil penalty of $153,330 in connection with alleged noncompliance during 2005 and 2006 with various air pollution regulations at the Channelview facility. These matters were later combined with a similar smaller matter at Channelview and resolved in December 2007 for a penalty of $182,316.

In October 2007, the TCEQ notified Equistar that it is seeking a penalty of $129,400 in connection with alleged exceedances of permitted emissions at Equistar's Chocolate Bayou plant. In December 2007, the penalty was reduced to $126,400 in resolution of this matter.

**Millennium**—A Millennium subsidiary has been identified as a PRP with respect to the Kalamazoo River Superfund Site. The site involves cleanup of river sediments and floodplain soils contaminated with polychlorinated biphenyls, cleanup of former paper mill operations, and cleanup and closure of landfills associated with the former paper mill operations. Litigation concerning the matter commenced by the State of Michigan in December 1987 was recently dismissed, although the State reserved its right to bring certain claims in the future if the issues are not resolved in the CERCLA process. Millennium's ultimate liability for the Kalamazoo River Superfund Site will depend on many factors that have not yet been determined, including the ultimate remedy selected, the determination of natural resource damages, the number and financial viability of the other PRPs, and the determination of the final allocation among the PRPs.

**Houston Refining—**In May 2007, the TCEQ notified Houston Refining that it is seeking a civil penalty of $892,700 in connection with alleged noncompliance with various provisions of the Texas Clean Air Act during 2006 and 2005. The TCEQ subsequently reduced the proposed penalty to $484,040. Houston Refining does not believe that the ultimate resolution of the matter will have a material adverse effect on the business, financial position, liquidity or results of operation of Houston Refining.

**Indemnification**

As a result of the Lyondell acquisition, LyondellBasell Industries, its subsidiaries and its joint ventures are parties to various indemnification arrangements, including arrangements entered into in connection with acquisitions, divestitures and the formation of joint ventures. For example, Lyondell entered into indemnification arrangements in connection with the transfer of assets and liabilities from Atlantic Richfield Company to Lyondell prior to Lyondell's initial public offering and in connection with Lyondell's acquisition of the outstanding shares of ARCO Chemical Company; Equistar and its owner companies (including Lyondell and Millennium) entered into indemnification arrangements in connection with the formation of Equistar; and Millennium entered into indemnification arrangements in connection with its demerger from Hanson plc. Pursuant to these arrangements, Lyondell and its joint ventures 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 December 31, 2007, LyondellBasell Industries has not accrued any significant amounts for such indemnification obligations, and is not aware of other circumstances that would be likely to lead to significant future indemnification claims against LyondellBasell Industries. LyondellBasell Industries 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.

## SECTION 3: RISK FACTORS

*There are many factors that may affect LyondellBasell Industries' businesses and results of operations. For additional discussion regarding factors that may affect LyondellBasell Industries' businesses and operating results, see "Forward-Looking Statements," "Operating and Financial Review," and "Business." If one or more of these risks actually occur, LyondellBasell Industries' business, financial position or results of operations could be materially and adversely affected.*

### Risks Relating to the Businesses

***Costs of raw materials and energy, as well as reliability of supply, may result in increased operating expenses and reduced results of operations.***

LyondellBasell Industries purchases large amounts of raw materials and energy for its businesses. The cost of these raw materials and energy, in the aggregate, represents a substantial portion of its operating expenses. The costs of raw materials and energy generally follow price trends of, and vary with the market conditions for, crude oil and natural gas, which may be highly volatile and cyclical. Raw material and energy costs remain at high levels, and a weak U.S. dollar adds to the volatility in LyondellBasell Industries' raw material costs. There have been, and will likely continue to be, periods of time when LyondellBasell Industries is unable to pass raw material and energy cost increases on to customers quickly enough to avoid adverse impacts on its results of operations. Customer consolidation also has made it more difficult to pass along cost increases to customers. LyondellBasell Industries' results of operations have been, and could be in the future, significantly affected by increases and volatility in these costs. Cost increases also may increase working capital needs, which could reduce LyondellBasell Industries' liquidity and cash flow. In addition, when raw material and energy costs increase rapidly and are passed along to customers as product price increases, the credit risks associated with certain customers can be compounded. To the extent LyondellBasell Industries increases its product 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 LyondellBasell Industries' results of operations. See "LyondellBasell Industries sells commodity products in highly competitive global markets and faces significant price pressures" below.

In addition, higher North American and European natural gas prices relative to natural gas cost-advantaged regions, such as the Middle East, have diminished the ability of many chemical producers to compete internationally since natural gas prices affect a significant portion of the industry's raw materials and energy sources. This environment has in the past caused, and may in the future cause, a reduction in LyondellBasell Industries' exports from North America and Europe, and has in the past reduced, and may in the future reduce, the competitiveness of U.S. and European producers. It also has in the past increased the competition for product sales within North America and Europe, as production that would otherwise have been sold in other geographic regions was instead offered for sale in these regions, resulting in excess supply and lower margins in North America and Europe, and may do so in the future.

Furthermore, across LyondellBasell Industries, there are a limited number of suppliers for some of its raw materials and utilities and, in some cases, the number of sources for and availability of raw materials and utilities is 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. Alternatively, where LyondellBasell Industries has multiple suppliers for a raw material or utility, these suppliers may not make up for the loss of a major supplier. Any new supply agreements LyondellBasell Industries enters into may not have terms as favorable as those contained in its current supply agreements. For some of LyondellBasell Industries products, the facilities and/or distribution channels of raw material suppliers and utilities suppliers and LyondellBasell Industries form an integrated system. This is especially true in the U.S. Gulf Coast where the infrastructure of the chemical and refining industries is tightly integrated such that a major disruption of supply of a given commodity or utility can negatively affect numerous participants, including suppliers of other raw materials. If one or more of LyondellBasell Industries' significant raw material or utility suppliers were unable to meet its obligations under present supply arrangements, raw materials become unavailable within the geographic area from which they are now sourced, or supplies are otherwise disrupted, LyondellBasell Industries' businesses could suffer reduced supplies or be forced to incur increased costs for their raw materials or utilities, which would have a direct negative impact on plant operations. For example, Hurricanes Katrina and Rita negatively affected crude oil and natural gas supplies, as well as supplies of some of LyondellBasell Industries' other raw materials, contributing to increases in raw material prices during the second half of 2005 and, in some cases, disrupting production. In addition, hurricane-related disruption of rail and pipeline traffic in the U.S. Gulf Coast area negatively affected shipments of raw materials and product.

***The cyclicality and volatility of the industries in which LyondellBasell Industries participates may cause significant fluctuations in LyondellBasell Industries' operating results.***

LyondellBasell Industries' operating results are subject to the cyclical and volatile nature of the supply-demand balance in the chemical and refining industries, and LyondellBasell Industries' future operating results are expected to continue to be affected by this cyclicality and volatility. These industries historically have experienced alternating periods of capacity shortages leading to tight supply, causing prices and profit margins to increase, followed by periods when substantial capacity is added, resulting in oversupply, declining capacity utilization rates and declining prices and profit margins. The volatility these industries experience occurs as a result of changes in the supply and demand for products, changes in energy prices and changes in various other economic conditions around the world. The cyclicality and volatility of the chemical and refining industries results in significant fluctuations in profits and cash flow from period to period and over the business cycles.

The global economic and political environment continues to be uncertain, and a decline in demand could place further pressure on LyondellBasell Industries' results of operations. In addition, new capacity additions by some participants in the industry, especially those in the Middle East and Asia that began in 2006 and are expected to continue, could lead to another period of oversupply and poor profitability. The timing and extent of any changes to currently prevailing market conditions is uncertain and supply and demand may be unbalanced at any time. As a consequence, LyondellBasell Industries is unable to accurately predict the extent or duration of future industry cycles or their effect on its business, financial condition or results of operations, and can give no assurances as to any predictions made in this report with respect to the timing, extent or duration of future industry cycles.

LyondellBasell Industries may reduce production at or idle a facility for an extended period of time or exit a business because of an oversupply of a particular product and/or a lack of demand for that particular product, or high raw material prices, which makes production uneconomical. LyondellBasell Industries may also reduce production or temporarily idle a facility to fulfill its obligations under off-take arrangements with joint ventures or third parties. Any decision to permanently close facilities or exit a business would result in impairment and other charges to earnings. Temporary outages sometimes last for several quarters or, in certain cases, longer, and could cause LyondellBasell Industries to incur costs, including the expenses of maintaining and restarting these facilities. In addition, even though LyondellBasell Industries may need to reduce production, it may still be required to continue to purchase or pay for utilities or raw materials under take-or-pay supply agreements. It is possible that factors such as increases in raw material costs or lower demand in the future will cause LyondellBasell Industries to reduce operating rates, idle facilities or exit uncompetitive businesses.

***External factors beyond LyondellBasell Industries' control can cause fluctuations in demand for LyondellBasell Industries' products and in its prices and margins, which may result in lower operating results.***

External factors beyond LyondellBasell Industries' control can cause volatility in the price of raw materials and other operating costs, as well as significant fluctuations in demand for LyondellBasell Industries' products, and can magnify the impact of economic cycles on its businesses. Examples of external factors include:

- supply of and demand for crude oil and other raw materials;
- changes in customer buying patterns and demand for LyondellBasell Industries' products;
- general economic conditions;
- domestic and international events and circumstances;

- competitor actions;
- governmental regulation; and
- severe weather and natural disasters.

LyondellBasell Industries believes that global events have had an impact on its businesses in recent years and may continue to do so. LyondellBasell Industries currently licenses its technology to customers in the Middle East and has three joint ventures in Saudi Arabia. LyondellBasell Industries also has offices in Egypt, Dubai and Turkey and third-party commercial representatives throughout the Middle East. The uncertainty surrounding the continuing military action in Iraq and the threat of further armed hostilities or acts of terrorism may impact LyondellBasell Industries' businesses in the Middle East or elsewhere, or the businesses of LyondellBasell Industries' customers.

In addition, a number of LyondellBasell Industries' products are highly dependent on durable goods markets, such as the construction and automotive markets, which also are cyclical and impacted by many of the external factors referenced above. Many of LyondellBasell Industries' products are components of other chemical products that, in turn, are subject to the supply-demand balance of both the chemical and refining industries and general economic conditions. The volatility and elevated level of prices for crude oil and natural gas have resulted in increased raw material costs, and the impact of the factors cited above and others may once again cause a slowdown in the business cycle, reducing demand and lowering operating rates and, ultimately, reducing profitability.

***LyondellBasell Industries sells products in highly competitive global markets and faces significant price pressures.***

LyondellBasell Industries sells its products in highly competitive global markets. Due to the commodity nature of many of its 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. As a result, LyondellBasell Industries generally is not able to protect its market position for these products by product differentiation and may not be able to pass on cost increases to its customers.

In addition, LyondellBasell Industries faces increased competition from companies that may have greater financial resources and different cost structures or strategic goals than LyondellBasell Industries, such as large integrated oil companies (many 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. Increased competition from these companies, especially in LyondellBasell Industries' ethylene and refining businesses, could limit LyondellBasell Industries' ability to increase product sales prices in response to raw material and other cost increases, or could cause LyondellBasell Industries to reduce product sales prices to compete effectively, which could reduce LyondellBasell Industries' profitability. Competitors which have greater financial resources than LyondellBasell Industries does 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.

Accordingly, increases in raw material and other costs may not necessarily correlate with changes in prices for LyondellBasell Industries' products, either in the direction of the price change or in magnitude. In addition, LyondellBasell Industries' ability to increase product sales prices, and the timing of those increases, are affected by the supply-demand balances for its products, as well as the capacity utilization rates for those products. Timing differences in pricing between rising raw material costs, which may change daily, and contract product prices, which in many cases are negotiated only monthly or less often, sometimes with an additional lag in effective dates for increases, have reduced and may continue to reduce profitability. Even in periods during which raw material prices decline, LyondellBasell Industries may suffer decreasing profits if raw material price reductions occur at a slower rate than decreases in the selling prices of its products.

Further, volatility in costs and pricing can result in commercial disputes with customers and suppliers with respect to interpretations of complex contractual arrangements. Significant adverse resolution of any such disputes also could reduce profitability.

***If the Lyondell businesses are not successfully integrated with the historical Basell businesses, unanticipated costs may be incurred and operations may be disrupted.***

The process of effectively integrating Basell and Lyondell into one company will require significant managerial and financial resources. The costs and time required to integrate these businesses into one organization could cause the interruption of, or a loss of momentum in, the activities of any one, or several, of the operations of the constituent entities. Furthermore, the acquisition has significantly increased the size of LyondellBasell Industries and significantly diversified the business lines in which it operates. The acquisition has also substantially increased the scope and complexity of its operations. There can be no assurance that LyondellBasell Industries will be able to effectively manage this newly enlarged operation, or achieve the desired profitability from the acquisition. A failure to successfully integrate Lyondell with Basell's legacy business operations within the expected time frame could adversely affect LyondellBasell Industries' business, financial condition and results of operations. The acquisition also may expose LyondellBasell Industries to certain additional risks, including:

- difficulties arising from LyondellBasell Industries operating a significantly larger and more complex organization and adding Lyondell's operations to Basell's legacy operations;

- difficulties in the assimilation of the assets and operations of the Lyondell businesses with the assets and operations of Basell, especially when the assets are in business segments not shared historically by both companies or involve joint venture partners;

- the loss of, or difficulty in attracting, customers, business partners or key employees as a result of uncertainties associated with the acquisition or otherwise;

- customers and business partners of Lyondell being unwilling to continue doing business on the same or similar terms as a result of the acquisition;

- challenges associated with the implementation of changes in management in connection with the acquisition and the integration of the combined company management team;

- difficulties in integrating Lyondell's employees into the LyondellBasell Industries enterprise or in consolidating the workforces of Lyondell and Basell;

- the diversion of attention from other business concerns;

- difficulties arising from coordinating geographically disparate organizations, systems and facilities;

- difficulties arising from coordinating and consolidating corporate and administrative functions, including integration of internal controls and procedures and information technology systems;

- unforeseen legal, regulatory, contractual, labor or other issues; and

- the failure to realize expected synergies, profitability or growth.

Further, unexpected costs and challenges may arise whenever businesses with different operations or management are combined and LyondellBasell Industries may experience unanticipated delays in realizing the benefits of the acquisition.

***LyondellBasell Industries may not experience future growth or benefit from future business opportunities***.

LyondellBasell Industries' ability in the future to grow its businesses or to benefit from future business opportunities is dependent on business conditions in future periods that it cannot predict or measure with certainty. There can be no assurance that LyondellBasell Industries will achieve the expected growth levels or financial performance. Our operations require significant amounts of cash, and we may be required to seek additional capital to fund acquisitions or to fund the future expansion and development of our existing businesses. There can be no assurance that additional capital will be available or that, if available, it will be on favorable terms. See "Risk Factors - Risks Relating to Debt." LyondellBasell Industries' assumptions underlying its future growth strategies may be inaccurate, and future business conditions and events may reduce or eliminate its ability to implement these strategies. In addition, LyondellBasell Industries may experience increased competition, including competition for acquisitions, that limits its ability to grow its business. General industry and business conditions may deteriorate, which also may limit its ability to grow the business or to benefit from business opportunities. Finally, LyondellBasell Industries' growth strategies may not be successful or the costs of integration for future acquisitions may be higher than expected. The inability to experience future growth or to benefit from future business opportunities may materially adversely affect LyondellBasell Industries' business, financial condition, results of operations and cash flows.

***The historical financial information for Lyondell and Basell and LyondellBasell Industries' pro forma financial information may not be representative of the results as a combined company in the future.***

The historical financial information included in this report is derived from the separate financial statements of Basell and Lyondell for periods prior to the acquisition. LyondellBasell Industries' unaudited pro forma financial information presented in this report is based in part on certain assumptions regarding the acquisition and related transactions. There can be no assurance that these assumptions will prove to be accurate over time. Accordingly, the historical, pro forma and other financial information included in this report may not reflect what LyondellBasell Industries' results of operations and financial condition would have been had Lyondell and Basell been a combined entity during the periods presented, or what LyondellBasell Industries' results of operations and financial condition will be in the future.

***Failure to develop new products, including production process technologies and polyolefin catalysts, or to successfully implement productivity and cost reduction initiatives may harm LyondellBasell Industries' competitive position.***

LyondellBasell Industries' operating results, especially in its technology and R&D segment, depend in part on the development of new commercially viable products, including production process technologies, polyolefin catalysts and polyolefins products. If LyondellBasell Industries is unsuccessful in developing new products in the future, its competitive position and operating results will be negatively affected. LyondellBasell Industries' future results depend in part upon its ability to maintain technological capabilities and to continue to identify, develop and commercialize innovative products. LyondellBasell Industries' failure to continue to keep pace with technological developments by its competitors could make LyondellBasell Industries less competitive.

LyondellBasell Industries may not be successful in continuing to make similar innovations in the future. LyondellBasell Industries' future operating results will depend significantly on its ability to continue to introduce new products and applications and to develop new product offerings that offer distinct value for its customers. Many of LyondellBasell Industries' products may be affected by rapid technological change and new product introductions and enhancements. LyondellBasell Industries intends to continue to devote significant resources to the development of new technologically advanced catalysts and polyolefins products and to continue to devote expenditures to the research and development functions of its business. However, LyondellBasell Industries cannot assure you that the market will accept its innovations, that LyondellBasell Industries will have sufficient resources to research and develop all promising new technologies and products or that research and development efforts and expenditures for products will ultimately prove successful. If any of LyondellBasell Industries' current or future competitors develops proprietary technology that enables them to produce products at a significantly lower cost, LyondellBasell Industries' technology could become uncompetitive. In addition, LyondellBasell Industries faces intense competition to attract and retain highly skilled research and development personnel, and its success, particularly in its technology and R&D segment, depends in large part on the talents and efforts of its research and development personnel.

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

LyondellBasell Industries has a patent portfolio of approximately 9,600 patents worldwide. These patents, together with proprietary technical know-how, relate to its products and the processes and catalysts used for their production, and are significant to its competitive position, particularly with regard to propylene oxide, performance chemicals, petrochemicals, flavor and fragrance chemicals, and polymers, including processing technologies such as *Spheripol*, *Spherizone*, *Hostalen*, *Spherilene*, *Lupotech T* and *Lupotech G* and *Avant* catalyst family technology rights. LyondellBasell Industries relies on the patent, copyright and trade secret laws of the United States and other countries to protect its investment in research and development, manufacturing and marketing. However, LyondellBasell Industries may be unable to prevent third parties from using its intellectual property without authorization. Proceedings to protect these rights could be costly, and LyondellBasell Industries may not prevail.

The protection afforded by patents varies from country to country and depends upon the type of patent and its scope of coverage. While a presumption of validity exists with respect to patents issued to LyondellBasell Industries, its patents may be challenged, invalidated, circumvented or rendered unenforceable. In addition, if any pending patent application filed by LyondellBasell Industries does not result in an issued patent, or if patents are issued to LyondellBasell Industries, but such patents do not provide meaningful protection of its intellectual property, then LyondellBasell Industries' ability to exploit its intellectual property may be adversely affected. Furthermore, as patents expire, the products and processes described and claimed under those patents become generally available for use by the public. LyondellBasell Industries' continued growth strategy may also bring it to regions of the world where intellectual property protection may be limited and difficult to enforce. In addition, patent rights may not prevent its competitors from developing, using or selling products that are similar or functionally equivalent to its products. Moreover, LyondellBasell Industries' competitors or other third parties may obtain patents that restrict or preclude LyondellBasell Industries' ability to lawfully produce or sell its products in a competitive manner, which could result in significantly lower revenues, reduced profit margins and/or loss of market share.

LyondellBasell Industries also relies upon unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain its competitive position. While it is LyondellBasell Industries' policy to enter into confidentiality agreements with its employees and third parties to protect its intellectual property, these confidentiality agreements may be breached, may not provide meaningful protection for LyondellBasell Industries' trade secrets or proprietary know-how, or adequate remedies may not be available in the event of an unauthorized use or disclosure of its trade secrets and know-how. In addition, others could obtain knowledge of LyondellBasell Industries' trade secrets through independent development or other access by legal or illegal means.

The failure of LyondellBasell Industries' patents or confidentiality agreements to protect its 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.

***LyondellBasell Industries' crude oil contract with PDVSA Oil is subject to the risk of enforcing contracts against non-U.S. affiliates of a sovereign nation and political, force majeure and other risks.***

LyondellBasell Industries' crude oil contract with PDVSA Oil, an affiliate of PDVSA, the national oil company of Venezuela, provides for the purchase and supply of 230,000 barrels per day of heavy, high sulfur crude oil (approximately 86% of the refining capacity at the North American refinery). There are risks associated with reliance on PDVSA Oil for supplies of crude oil and with enforcing the provisions of contracts with companies such as PDVSA Oil that are non-United States affiliates of a sovereign nation. For example, from time to time in the past, PDVSA Oil has declared itself in a force majeure situation and subsequently reduced deliveries of crude oil purportedly based on announced OPEC production cuts. All of the crude oil supplied by PDVSA Oil under the crude oil contract is produced in Venezuela, and it is impossible to predict how governmental policies may change under the current or any subsequent Venezuelan government. In addition, there are risks associated with enforcing judgments of United States courts against entities whose assets are located outside of the United States and whose management does not reside in the United States. Any modification, breach or termination of the crude oil contract, or any interruption in this source of crude oil, could adversely affect LyondellBasell Industries, as alternative crude oil supplies with similar margins may not always be available for purchase.

***LyondellBasell Industries' operations and assets are subject to extensive environmental, health and safety and other laws and regulations, which could result in material costs or liabilities.***

LyondellBasell Industries cannot predict with certainty the extent of future liabilities and costs under environmental, health and safety and other laws and regulations and whether liabilities and costs will be material. LyondellBasell Industries also may face liability for alleged personal injury or property damage due to exposure to chemicals or other hazardous substances at its current or former facilities or chemicals that it manufactures, handles or owns. In addition, because LyondellBasell Industries' products are components of a variety of other end-use products, LyondellBasell Industries, along with other members of the chemical industry, is inherently subject to potential claims related to those end-use products. Although claims of the types described above have not historically had a material impact on LyondellBasell Industries' operations, a substantial increase in the success of these types of claims could result in the expenditure of a significant amount of cash by LyondellBasell Industries to pay claims, and could reduce its operating results.

LyondellBasell Industries (together with the industries in which it operates) is subject to extensive national, regional, state and local environmental laws, regulations, directives, rules and ordinances concerning, and is required to have permits and licenses regulating, emissions to the air, discharges onto land or waters 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, and permits and licenses are subject to renewal, modification and in some circumstances, revocation. Some of these laws and regulations are subject to varying and conflicting interpretations. In addition, some of these laws and regulations require LyondellBasell Industries to meet specific financial responsibility requirements. LyondellBasell Industries generally expects that regulatory controls worldwide will become increasingly more demanding, but cannot accurately predict future developments, such as increasingly strict environmental laws, and inspection and enforcement policies, as well as higher compliance costs, which might 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 costs and liabilities to LyondellBasell Industries or limitations on its operations, and could subject its handling, manufacture, use, reuse or disposal of substances or pollutants to more rigorous scrutiny than at present.

For example, under the EU Integrated Pollution Prevention and Control Directive ("IPPC"), EU Member State governments are to adopt rules and implement an environmental permitting program relating to air, water and waste for individual facilities. While the EU countries are at varying stages in their respective implementation of the IPPC permit program, LyondellBasell Industries has submitted all necessary IPPC permit applications required to date, and in some cases received completed permits from the applicable government agency. However, LyondellBasell Industries does not know with certainty what future IPPC permits will require, or the costs of compliance with the IPPC permit program. The EU also has passed legislation on chemicals (REACH) to govern the registration, evaluation and authorization of chemicals. Under REACH, LyondellBasell Industries is required to register chemicals and gain authorization for the use of certain substances. As an importer of chemicals and materials from outside the EU, LyondellBasell Industries is subject to additional registration obligations. Furthermore, within the framework of EU emissions trading, LyondellBasell Industries was allocated certain allowances of carbon dioxide per year for the affected plants of its European sites for the 2005 to 2007 period. For the second trading period (2008 to 2012), a number of chemical plants will also be included in the Europe-wide trading system. LyondellBasell Industries expects to incur additional costs as a result of the existing emissions trading scheme and could incur additional costs in relation to any future carbon or greenhouse gas emission trading schemes.

Some risk of environmental costs and liabilities is inherent in LyondellBasell Industries' operations and products, as it is with other companies engaged in similar businesses, and there is no assurance that material costs and liabilities will not be incurred. In general, however, with respect to the costs and risks described above, LyondellBasell Industries does not expect that it will be affected differently than the rest of the industries where its facilities are located.

Environmental laws may have a significant effect on the nature and scope of cleanup of contamination at current and former operating facilities, the costs of transportation and storage of raw materials and finished products and the costs of the storage and disposal of wastewater. In the U.S., "Superfund" statutes may impose joint and several liability for the costs of remedial investigations and actions on the entities that generated waste, arranged for disposal of the wastes, transported to or selected the disposal sites and the past and present owners and operators of such sites. All such responsible parties (or any one of them, including LyondellBasell Industries) may be required to bear all of such costs regardless of fault, the legality of the original disposal or ownership of the disposal site. Under the EU Environmental Liability Directive, EU Member States may require the remediation of soil and groundwater contamination in certain circumstances, under the "polluter pays principle." The scope of events and circumstances that could trigger remediation requirements and the level of remediation required vary from Member State to Member State. Similar environmental laws and regulations that have been or may be enacted in other countries outside of the U.S. may impose similar liabilities and costs upon LyondellBasell Industries.

Some of LyondellBasell Industries' manufacturing sites have an extended history of industrial chemical manufacturing and use, including on-site waste disposal. LyondellBasell Industries is aware of soil, groundwater and surface water contamination at some of its sites, and LyondellBasell Industries may find contamination at other sites in the future. It is anticipated that corrective measures will be necessary to comply with national and state requirements with respect to some of these facilities. LyondellBasell Industries also has liabilities under the U.S. Resource Conservation and Recovery Act and various U.S. state and non-U.S. government regulations related to several current and former plant sites. LyondellBasell Industries also is responsible for a portion of the remediation of certain off-site waste disposal facilities. LyondellBasell Industries is contributing funds to the cleanup of several waste sites throughout the U.S. under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and the Superfund Amendments and Reauthorization Act of 1986, including the Kalamazoo River Superfund Site discussed below. LyondellBasell Industries also has been named as a potentially responsible party at several other sites. LyondellBasell Industries' policy is to accrue remediation expenses when it is probable that such efforts will be required and the related expenses can be reasonably estimated. Estimated costs for future environmental compliance and remediation are necessarily imprecise due to such factors as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the identification of presently unknown remediation sites and the allocation of costs among the potentially responsible parties under applicable statutes. For further discussion regarding LyondellBasell Industries' environmental matters see "Business—Legal Proceedings—Environmental Matters." If actual expenditures exceed the amounts accrued, that could have an adverse effect on LyondellBasell Industries' results of operations and financial position.

**Kalamazoo River Superfund Site**—Lyondell acquired Millennium on November 30, 2004. A Millennium subsidiary has been identified as a Potential Responsible Party ("PRP") with respect to the Kalamazoo River Superfund Site. The site involves cleanup of river sediments and floodplain soils contaminated with polychlorinated biphenyls, cleanup of former paper mill operations, and cleanup and closure of landfills associated with the former paper mill operations. Litigation concerning the matter commenced by the State of Michigan in December 1987 was recently dismissed, although the State reserved its right to bring certain claims in the future if the issues are not resolved in the CERCLA process. In 2000, the Kalamazoo River Study Group (the "KRSG"), of which the Millennium subsidiary and other PRPs are members, submitted to the State of Michigan a Draft Remedial Investigation and Draft Feasibility Study, which evaluated a number of remedial options for the river. The estimated costs for these remedial options ranged from $0 to $2.5 billion (€1.7 billion).

Although the KRSG study identified a broad range of remedial options, not all of those options would represent reasonably possible outcomes. Management does not believe that any single remedy among those options represented the highest-cost reasonably possible outcome. In 2004, LyondellBasell Industries recognized a liability representing Millennium's interim allocation of 55% of the $73 million (€50 million) total of estimated cost of riverbank stabilization, recommended as the preferred remedy in 2000 by the KRSG study, and of certain other costs.

At the end of 2001, the U.S. EPA took lead responsibility for the river portion of the site at the request of the State of Michigan. In 2004, the EPA initiated a confidential process to facilitate discussions among the agency, the Millennium subsidiary, other PRPs, the Michigan Departments of Environmental Quality and Natural Resources, and certain federal natural resource trustees about the need for additional investigation activities and different possible approaches for addressing the contamination in and along the Kalamazoo River.

As these discussions have continued, management has obtained new information about regulatory oversight costs and other remediation costs, including a proposed remedy to be applied to a specific portion of the river and has been able to reasonably estimate anticipated costs for certain other segments of the river, based in part on experience to date with the remedy currently being applied to the one portion of the river. As a result, management can reasonably estimate the probable spending for remediation of three segments of the river, which has been accrued as of December 31, 2007. Management's best estimates for costs relating to other segments of the river, which may remain uncertain for the foreseeable future, also have been accrued, based on the KRSG study. As of December 31, 2007, the probable additional future remediation spending associated with the river cannot be determined with certainty but the amounts accrued are believed to be the current best estimate of future costs, based on the information currently available. At December 31, 2007, the balance of the liability related to the river was $98 million (€67 million).

In addition, LyondellBasell Industries has recognized a liability primarily related to Millennium's estimated share of remediation costs for two former paper mill sites and associated landfills, which are also part of the Kalamazoo River Superfund Site. At December 31, 2007, the balance of the liability was $47 million (€32 million). Although no final agreement has been reached as to the ultimate remedy for these locations, Millennium has begun remediation activity related to these sites.

Millennium's ultimate liability for the Kalamazoo River Superfund Site will depend on many factors that have not yet been determined, including the ultimate remedies selected, the determination of natural resource damages, the number and financial viability of the other PRPs, and the determination of the final allocation among the PRPs. Millennium's ultimate liability for the Kalamazoo River Superfund Site is not affected by the sale of the inorganic chemicals business, which closed on May 15, 2007.

**Other regulatory requirements**—In addition to the matters described above, LyondellBasell Industries is subject to other material regulatory requirements that could result in higher operating costs, such as regulatory requirements relating to the security of its facilities, and the transportation, exportation or registration of its products. Although LyondellBasell Industries has compliance programs and other processes intended to ensure compliance with all such regulations, LyondellBasell Industries is subject to the risk that its 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 significant.

***Legislative and other actions have eliminated substantially all U.S. demand for MTBE. Therefore, LyondellBasell Industries has been selling its U.S.-produced MTBE for use outside of the U.S., and may in the future produce an alternative gasoline blending component, iso-octene, in the U.S., which may be less profitable than MTBE.***

Substantially all refiners and blenders have discontinued the use of MTBE in the U.S., partly as a result of U.S. federal governmental initiatives to increase use of bio-ethanol in gasoline as well as some state legislation to reduce or ban the use of MTBE. Accordingly, LyondellBasell Industries is marketing its U.S.-produced MTBE for use outside of the U.S. However, there are higher distribution costs and import duties associated with exporting MTBE outside of the U.S., and the increased supply of MTBE may reduce profitability of MTBE in these export markets. LyondellBasell Industries' U.S.-based and European-based MTBE plants generally have the flexibility to produce either MTBE or ETBE to accommodate market needs. LyondellBasell Industries produces and sells ETBE in Europe to address Europe's growing demand for biofuels. In addition, LyondellBasell Industries may, in the future, modify equipment at its Channelview, Texas facility to provide LyondellBasell Industries with the flexibility to produce an alternative gasoline blending component known as iso-octene (also known as "di-isobutylene" or "DIB") or either MTBE or ETBE at that facility in the future. Any decision to produce iso-octene will depend on the timing and cost of equipment modifications, and product decisions will continue to be influenced by regulatory and market developments. The profit contribution related to iso-octene may be lower than that historically realized on MTBE. In addition, iso-octene is a new product without an established history.

***Proceedings related to the alleged exposure to lead-based paints and lead pigments could require Millennium to spend material amounts in litigation and settlement costs and judgments.***

Together with alleged past manufacturers of lead-based paint and lead pigments for use in paint, Millennium has been named as a defendant in various legal proceedings in the U.S. alleging personal injury, property damage, and remediation costs allegedly associated with the use of these products. The plaintiffs include individuals and governmental entities, and seek recovery under a variety of theories, including negligence, failure to warn, breach of warranty, conspiracy, market share liability, fraud, misrepresentation and nuisance. The majority of these legal proceedings assert unspecified monetary damages in excess of the statutory minimum and, in certain cases, equitable relief such as abatement of lead-based paint in buildings. These legal proceedings are in various trial stages and post-dismissal settings, some of which are on appeal. One legal proceeding relating to lead pigment or paint was tried in 2002. On October 29, 2002, the judge in that case declared a mistrial after the jury declared itself deadlocked. The sole issue before the jury was whether lead pigment in paint in and on Rhode Island buildings constituted a "public nuisance." The re-trial of this case began on November 1, 2005. On February 22, 2006, a jury returned a verdict in favor of the State of Rhode Island finding that the cumulative presence of lead pigments in paints and coatings on buildings in the state constitutes a public nuisance; that a Millennium subsidiary, Millennium Holdings, LLC, and other defendants either caused or substantially contributed to the creation of the public nuisance; and that those defendants, including the Millennium subsidiary, should be ordered to abate the public nuisance. On February 28, 2006, the judge held that the state could not proceed with its claim for punitive damages. On February 26, 2007, the court issued its decision denying the post-verdict motions of the defendants, including Millennium, for a mistrial or a new trial. The court concluded that it would enter an order of abatement and appoint a special master to assist the court in determining the scope of the abatement remedy. On March 16, 2007, the court entered a final judgment on the jury's verdict. On March 20, 2007, Millennium filed its notice of appeal with the Rhode Island Supreme Court. On December 18, 2007, the trial court appointed two special masters to serve as "examiners" and to assist the trial court in the proposed abatement proceedings.

While LyondellBasell Industries believes that Millennium has valid defenses to all the lead-based paint and lead pigment proceedings and is vigorously defending them, litigation is inherently subject to many uncertainties. Additional lead-based paint and lead pigment litigation may be filed against Millennium in the future asserting similar or different legal theories and seeking similar or different types of damages and relief, and any adverse court rulings or determinations of liability, among other factors, could affect this litigation by encouraging an increase in the number of future claims and proceedings. In addition, from time to time, legislation and administrative regulations have been enacted or proposed to impose obligations on present and former manufacturers of lead-based paint and lead pigment respecting asserted health concerns associated with such products or to overturn successful court decisions. LyondellBasell Industries is unable to predict the outcome of lead-based paint and lead pigment litigation, the number or nature of possible future claims and proceedings, or the effect that any legislation and/or administrative regulations may have on Millennium and, therefore, LyondellBasell Industries. In addition, LyondellBasell Industries cannot reasonably estimate the scope or amount of the costs and potential liabilities related to such litigation, or any such legislation and regulations. Thus, any liability Millennium incurs with respect to pending or future lead-based paint or lead pigment litigation, or any legislation or regulations could, to the extent not covered or reduced by insurance or other recoveries, have a material impact on Millennium's and, therefore, LyondellBasell Industries' results of operations. In addition, LyondellBasell Industries has not accrued any liabilities for judgments or settlements against Millennium resulting from lead-based paint and lead pigment litigation. Any liability that Millennium may ultimately incur with respect to lead-based paint and lead pigment litigation is not affected by the sale of the inorganic chemicals business, which closed on May 15, 2007. See "Legal Proceedings—Litigation Matters" for additional discussion regarding lead-based paint and lead pigment litigation.

***Interruptions of operations at LyondellBasell Industries' facilities may result in liabilities or lower operating results.***

LyondellBasell Industries owns and operates large-scale facilities, and LyondellBasell Industries' operating results are dependent on the continued operation of its various production facilities and the ability to complete construction and maintenance projects on schedule. Material operating interruptions at LyondellBasell Industries' facilities, including, but not limited to, interruptions caused by the events described below, may materially reduce the productivity and profitability of a particular manufacturing facility, or LyondellBasell Industries as a whole, during and after the period of such operational difficulties.

In addition, because LyondellBasell Industries' refinery located in Houston, Texas is LyondellBasell Industries' only North American refining operation, an outage at the refinery could have a particularly negative impact on LyondellBasell Industries' operating results. Unlike LyondellBasell Industries' chemical and polymer production facilities, which may at times have sufficient excess capacity to mitigate the negative impact of lost production at another similar LyondellBasell Industries facility, LyondellBasell Industries does not have the ability to increase refining production elsewhere in North America in an effort to mitigate the negative impact on operating results resulting from an outage at the refinery.

Although LyondellBasell Industries takes precautions to enhance the safety of its operations and minimize the risk of disruptions, its operations, along with the operations of other members of the chemical and refining industries, 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;
- chemical spills;
- discharges or releases of toxic or hazardous substances or gases;
- storage tank leaks;
- other environmental risks; and
- terrorist acts.

Some of these hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations, the shutdown of affected facilities and the imposition of civil or criminal penalties. Furthermore, LyondellBasell Industries also will continue to be subject to present and future claims with respect to workplace exposure, exposure of contractors on its premises as well as other persons located nearby, workers' compensation and other matters.

LyondellBasell Industries maintains property, business interruption, product, general liability, casualty and other types of insurance, including pollution and legal liability, that it believes are in accordance with customary industry practices, but it is not fully insured against all potential hazards incident to its businesses, including losses resulting from natural disasters, war risks 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 LyondellBasell Industries was to incur a significant liability for which it was not fully insured, LyondellBasell Industries might not be able to finance the amount of the uninsured liability on terms acceptable to it or at all, and might be obligated to divert a significant portion of its cash flow from normal business operations.

Further, because a part of LyondellBasell Industries' business involves licensing polyolefins process technology, LyondellBasell Industries' licensees are exposed to similar risks involved in the manufacture and marketing of polyolefins. Hazardous incidents involving LyondellBasell Industries' licensees, if they do result or are perceived to result from use of LyondellBasell Industries' technologies, may harm LyondellBasell Industries' reputation, threaten its relationships with other licensees and/or lead to customer attrition and financial losses. LyondellBasell Industries' policy of covering these risks through contractual limitations of liability and indemnities and through insurance may not always be effective. As a result, LyondellBasell Industries' 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.

***LyondellBasell Industries' international operations are subject to exchange rate fluctuations, exchange controls, political risks and other risks relating to international operations.***

LyondellBasell Industries has substantial international operations, which are subject to the risks of doing business on a global level, including fluctuations in currency exchange rates, transportation delays and interruptions, war, terrorist activities, epidemics, pandemics, political and economic instability and disruptions, restrictions on the transfer of funds, the imposition of duties and tariffs, import and export controls, changes in governmental policies, labor unrest and current and changing regulatory environments. These events could reduce the demand for LyondellBasell Industries' products internationally, decrease the prices at which it can sell its products internationally, disrupt production or other operations internationally, require substantial capital and other costs to comply, and/or increase security costs or insurance premiums, all of which could reduce LyondellBasell Industries' operating results. In addition, LyondellBasell Industries obtains a substantial portion of its principal raw materials from international sources that are subject to these same risks. LyondellBasell Industries' compliance with applicable customs, currency exchange control regulations, transfer pricing regulations or any other laws or regulations to which it 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 LyondellBasell Industries.

Furthermore, LyondellBasell Industries may experience difficulty enforcing agreements in certain jurisdictions. In jurisdictions where bankruptcy laws and practices may vary, LyondellBasell Industries may experience difficulty collecting receivables through the applicable legal systems. LyondellBasell Industries is subject to certain existing, and may be subject to possible future, laws that limit or may limit its activities while some of its competitors may not be subject to such laws, which may adversely affect its competitiveness.

In addition, LyondellBasell Industries generates revenue 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. Future events, which may significantly increase or decrease the risk of future movement in currencies in which it conducts its business, cannot be predicted. LyondellBasell Industries also may hedge certain revenues and costs using derivative instruments to minimize the impact of changes in the exchange rates of those currencies compared to the respective functional currencies. It is possible that fluctuations in exchange rates will result in reduced operating results.

***There may be conflicts of interests arising out of Access' ownership of LyondellBasell Industries.***

Access has made in the past and may from time to time make investments in businesses that operate in industries that are the same or related to the industries in which LyondellBasell Industries operates. These investments may lead to conflicts of interest. Certain investments or acquisition opportunities that may be appropriate for LyondellBasell Industries may also be appropriate for Access or one of its other affiliates, and neither Access nor any of its representatives on the board of directors of LyondellBasell Industries will have an obligation to direct or facilitate the making of any particular investment through LyondellBasell Industries rather than through another affiliate of Access. Moreover, the terms of the agreements governing LyondellBasell Industries' indebtedness may limit the ability of any such investments to be combined with LyondellBasell Industries.

***LyondellBasell Industries pursues acquisitions, dispositions, partnerships and joint ventures, which may require significant resources and may not yield the expected benefits.***

LyondellBasell Industries seeks opportunities to generate value through business combinations, purchases and sales of assets, partnerships, contractual arrangements or joint ventures. Any future transaction may require that LyondellBasell Industries make significant cash investment, issue stock or incur substantial debt. In addition, these transactions may require significant managerial attention, which may be diverted from LyondellBasell Industries' other operations. These capital, equity and managerial commitments may impair the operation of LyondellBasell Industries' businesses.

Transactions that LyondellBasell Industries pursues may be intended to, among other things, result in the realization of synergies, the creation of efficiencies or the generation of cash to reduce debt. Although these transactions may be expected to yield longer-term benefits if the expected efficiencies and synergies of the transactions are realized, they could reduce LyondellBasell Industries' operating results in the short term because of the costs, charges and financing arrangements associated with such transactions or the benefits of a transaction may not be realized to the extent anticipated. Other transactions may advance future cash flows from some of LyondellBasell Industries' businesses, thereby yielding increased short-term liquidity, but consequently resulting in lower cash flows from these operations over the longer term. Also, any future acquisitions of businesses or facilities could entail a number of additional risks, including, problems with effective integration of operations, the inability to maintain key pre-acquisition business relationships, increased operating costs, exposure to unanticipated liabilities, and difficulties in realizing projected efficiencies, synergies and cost savings.

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

A portion of LyondellBasell Industries' operations currently are, and may in the future be, conducted through joint ventures. LyondellBasell Industries shares control of these joint ventures with third parties.

LyondellBasell Industries' forecasts and plans with respect to these joint ventures assume that its joint venture partners will observe their joint venture obligations. In the event that any of LyondellBasell Industries' joint venture partners do not observe their joint venture obligations, it is possible that the affected joint venture would not be able to operate in accordance with its business plans or that LyondellBasell Industries would be required to increase its level of commitment in order to give effect to such plans.

As with any such joint venture arrangements, differences in views among the joint venture participants 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 the business and operations of LyondellBasell Industries.

***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 LyondellBasell Industries' pension cost.***

LyondellBasell Industries' funding policy for pension plans is to accumulate plan assets that, over the long run, will approximate the present value of projected benefit obligations. LyondellBasell Industries' pension cost is materially affected by the discount rate used to measure pension obligations, the level of plan assets available to fund those obligations at the measurement date and the expected long-term rate of return on plan assets. Significant changes in investment performance or a change in the portfolio mix of invested assets can result in corresponding increases and decreases in the valuation of plan assets, particularly equity securities, or in a change of the expected rate of return on plan assets. Any change in key actuarial assumptions, such as the discount rate, would impact the valuation of pension obligations, affecting the reported funded status of LyondellBasell Industries' pension plans as well as the net periodic pension cost in the following fiscal years. Certain of LyondellBasell Industries' current pension plans are underfunded.

LyondellBasell Industries' U.S. pension plans are subject to the Employment Retirement Income Security Act of 1974, or "ERISA." Under ERISA, the Pension Benefit Guaranty Corporation, or "PBGC," has the authority to terminate an underfunded pension plan under limited circumstances. In the event LyondellBasell Industries' U.S.

pension plans are terminated for any reason while the plans are underfunded, LyondellBasell Industries will incur a liability to the PBGC that may be equal to the entire amount of the underfunding.

***The information technology system and infrastructure requirements for the Basell legacy business operations are outsourced to a single provider.***

LyondellBasell Industries' business depends in part on its information technology systems. These systems play an integral part in, among other things, purchasing, inventory management, processing customer orders, financial reporting and other operational functions. The continuing and uninterrupted performance of these systems is critical to LyondellBasell Industries' efficient business operations. The Basell legacy business operations outsource substantially all of their information technology system and infrastructure requirements to Computer Sciences Corporation ("CSC"). As a result, these operations depend on the ability of CSC to maintain its systems and infrastructure in effective working order. If CSC was unable for any reason to continue to provide the services the Basell legacy business operations require and it became necessary to enter into arrangements with other parties to provide these services, there can be no assurance that LyondellBasell Industries could transition to another service provider without a significant disruption of its operations or significant unanticipated costs.

**Risks Relating to Debt**

***LyondellBasell Industries' consolidated balance sheet is highly levered and its available cash, access to additional capital and business and future prospects could be limited by its significant amount of debt and other financial obligations and the current weak condition of the capital markets.***

LyondellBasell Industries' consolidated balance sheet is highly levered. At December 31, 2007, LyondellBasell Industries had €16.9 billion of consolidated debt, including short-term debt and the current portion of long-term debt. This debt represented 61% of LyondellBasell Industries' consolidated capitalization. Substantially all of the indebtedness is secured by assets of LyondellBasell Industries pledged as collateral. In addition, LyondellBasell Industries has contractual commitments and ongoing pension and post-retirement benefit obligations that will require cash contributions in the future.

LyondellBasell Industries' level of debt and other obligations could have significant adverse consequences on its business and its future prospects, including that it could:

- make LyondellBasell Industries more vulnerable to a downturn in its businesses, its industry or the economy in general as a significant percentage of its cash flow from operations is required to make payments to service its indebtedness;

- require LyondellBasell Industries to dedicate a substantial portion of its future cash flow from operations to the payment of principal and interest on indebtedness, thereby reducing the availability of its cash flow to grow its business and to fund working capital, capital expenditures, research and development efforts and other general corporate purposes;

- constrain its ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, debt service requirements or other purposes, on satisfactory terms or at all, especially given the current weak environment in the capital markets;

- make it more difficult for it to satisfy its financial obligations;

- place it at a competitive disadvantage as compared to competitors that have less debt and lower debt service requirements; and

- make it more vulnerable to increases in interest rates since part of its indebtedness is, and any future debt may be, subject to variable interest rates.

For a discussion regarding LyondellBasell Industries' ability to pay or refinance its debt, see the "—Liquidity and Capital Resources" section under "Operating and Financial Review." The substantial level of indebtedness and other financial obligations of LyondellBasell Industries also increases the possibility that it may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of its indebtedness and other financial obligations. If LyondellBasell Industries were unable to pay principal and interest on debt, a default would exist under the terms of that debt instrument, which could have significant adverse consequences for LyondellBasell Industries. See "Failure to comply with debt covenants or to pay principal and interest when due could result in an acceleration of debt."

***LyondellBasell Industries requires a significant amount of cash to service its indebtedness, and its ability to generate cash depends on many factors beyond its control and on the performance of its subsidiaries and their ability to make distributions to it.***

LyondellBasell Industries and LyondellBasell Finance Company, the borrower under the Interim Loan, and Basell Finance Company, the issuer of the Notes due 2027, both of which are wholly owned subsidiaries of LyondellBasell Industries, are each holding companies with no business operations, sources of income or assets of their own other than ownership interests in subsidiaries. Accordingly, the ability of these entities to make payments on and refinance indebtedness depends on the performance of subsidiaries and cash dividends and distributions or other transfers from their subsidiaries. LyondellBasell Industries' subsidiaries are separate and distinct legal entities. Payment of dividends and distributions by subsidiaries may be subject to restrictions under applicable law. In addition, the payment of dividends by subsidiaries may be restricted by debt instruments of those subsidiaries. LCC, Equistar, Houston Refining and Basell USA Inc. are borrowers under the Inventory-Based Credit Facility, proceeds of which may not be used to make certain dividends or distributions by any of the borrowers in the event that the daily average total excess availability fails to exceed \$225 million (€153 million) for five consecutive business days prior to the date of the dividend or distribution.

The businesses of LyondellBasell Industries and its subsidiaries may not generate sufficient cash flow from operations to meet debt service obligations, future borrowings may not be available under current or future credit facilities in an amount sufficient to enable LyondellBasell Industries to pay its indebtedness at or before maturity and it may not be able to refinance its indebtedness on reasonable terms, if at all. Factors beyond the control of LyondellBasell Industries and its subsidiaries affect their economic performance and accordingly LyondellBasell Industries' ability to make these payments and refinancings. These factors are discussed elsewhere in these "Risk Factors" and the "Forward-Looking Statements" section.

Further, the ability of LyondellBasell Industries and its subsidiaries to fund capital expenditures and working capital may depend on the availability of funds under lines of credit and other liquidity facilities. If, in the future, sufficient cash is not generated from operations to meet debt service obligations and funds are not available under lines of credit or other liquidity facilities, LyondellBasell Industries may need to reduce or delay non-essential expenditures, such as capital expenditures and research and development efforts. In addition, LyondellBasell Industries and its subsidiaries may need to refinance debt, obtain additional financing or sell assets, which it may not be able to do on reasonable terms, if at all.

Although LyondellBasell Industries is highly leveraged, subject to limitations in its debt instruments, its parent may cause it to pay dividends for the benefit of the parent and its affiliates. Cash used to pay dividends would not be available to pay principal of or interest on LyondellBasell Industries' debt, to make capital expenditures or for other uses in its business.

***LyondellBasell Industries' variable rate obligations subject it to interest rate risk and in addition interest rates under the Interim Loan are subject to increase for other reasons, which could cause its debt service obligations to increase significantly.***

As of December 31, 2007, €14.6 billion of LyondellBasell Industries' indebtedness is variable rate borrowings. Although LyondellBasell Industries may have interest rate hedge arrangements in effect from time to time, its interest expense could increase if interest rates increase, because its variable rate obligations may not be fully hedged and they bear interest at floating rates, generally equal to adjusted EURIBOR and LIBOR plus an applicable margin or, in the case of the Senior Secured Credit Facilities, may instead bear interest at the alternate base rate plus an applicable margin. Additionally, the Asset-Based Facilities, consisting of the Accounts Receivable Securitization Facility entered into in connection with the Lyondell acquisition and the Inventory-Based Credit Facility, bear interest at floating rates. In addition, the applicable margin under the Interim Loan (and under any Extended Loan into which it may be converted) will increase by an additional 0.50% on June 18, 2008 and at the end of each three-month period thereafter. The applicable margin under the Interim Loan (and any such Extended Loan) also is subject to change based on the ratings assigned to indebtedness of LyondellBasell Industries. A change of 100 basis points or 1% of the floating rates as of December 31, 2007 would change the interest charge by €146 million.

***Despite current indebtedness levels, LyondellBasell Industries may still be able to incur substantially more debt. This could increase the risks associated with its substantial level of financial obligations.***

LyondellBasell Industries may be able to incur substantial additional indebtedness in the future. Although its debt instruments contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Among other things, LyondellBasell Industries may incur additional obligations to the extent there is available capacity under the revolving credit facility portion of the Senior Secured Credit Facilities, under the Asset-Based Facilities, the legacy Basell Accounts Receivable Securitization Programs or the Access Revolving Credit Facility. If LyondellBasell Industries incurs additional financial obligations above the existing levels, the risks associated with its substantial level of financial obligations would increase.

***The terms of the Senior Secured Credit Facilities, Access Revolving Credit Facility, Interim Loan, Basell Notes due 2015 and Asset-Based Facilities may restrict LyondellBasell Industries' current and future operations, particularly its ability to respond to changes or to take certain actions.***

The Senior Secured Credit Facilities, Access Revolving Credit Facility, Interim Loan, Basell Notes due 2015, Asset-Based Facilities and other financing instruments contain a number of restrictive covenants that impose significant operating and financial restrictions on LyondellBasell Industries and its subsidiaries and may limit its ability to engage in acts that may be in its long-term best interests. These include covenants restricting, among other things, LyondellBasell Industries' ability to: incur, assume or permit to exist indebtedness or guarantees; incur, assume or permit to exist liens; make loans and investments; make dividends or distributions, engage in mergers, acquisitions, and other business combinations; prepay, redeem or purchase certain indebtedness; amend or otherwise alter terms of certain indebtedness, and other material agreements; make dispositions of assets; engage in transactions with affiliates; enter into or permit to exist contractual obligations limiting its ability to make distributions or to incur or permit to exist liens; and alter the conduct of business. In addition, the Senior Secured Credit Facilities, Access Revolving Credit Facility and Asset-Based Facilities contain covenants that limit the level of capital expenditures per year. The Senior Secured Credit Facilities and Access Revolving Credit Facility also require the maintenance by LyondellBasell Industries of specified financial ratios: (1) a maximum First Lien Senior Secured Leverage Ratio (as defined) of 3.75:1.0 on a consolidated basis; and (2) a minimum Consolidated Debt Service Ratio (as defined) of 1.1:1.0 on a consolidated basis. The Asset-Based Facilities require that total excess availability under the Asset-Based Facilities may not be less than $100 million (€68 million) for two or more consecutive business days. The Asset-Based Facilities also provide that if for any period of four consecutive fiscal quarters the Fixed Charge Coverage Ratio (as defined) of LyondellBasell Industries, on a consolidated basis, is less than 1.10:1.0, then during the next quarter, total excess availability may not be less than $200 million (€136 million) for five consecutive business days or more, unless, on each such day, total excess availability is at least $150 million (€102 million) and total collateral availability is at least $275 million (€187 million). The ability to meet those financial ratios and other requirements can be affected by events beyond the control of LyondellBasell Industries and, over time, these covenants may not be satisfied.

***Failure to comply with covenants or to pay principal and interest when due could result in an acceleration of debt.***

A breach by LyondellBasell Industries of the covenants or the failure to pay principal and interest when due under any of the Senior Secured Credit Facilities, Interim Loan, Asset-Based Facilities or other indebtedness of LyondellBasell Industries could result in a default or cross-default under all or some of those instruments. If any such default or cross-default occurs, the applicable lenders may elect to declare all outstanding borrowings, together with accrued interest and other amounts payable thereunder, to be immediately due and payable. In such circumstances, the lenders under the Senior Secured Credit Facilities and the Inventory-Based Credit Facility also have the right to terminate any commitments they have to provide further borrowings, and the counterparties under the Accounts Receivable Securitization Facility may terminate further purchases of interests in accounts receivable and receive all collections from previously sold interests until they have collected on their interests in those receivables, thus reducing the entity's liquidity. In addition, following such an event of default, the lenders under the Senior Secured Credit Facilities and the Interim Loan and the counterparties under the Asset-Based Inventory Facility have the right to proceed against the collateral granted to them to secure the obligations, which in some cases includes LyondellBasell Industries' available cash. If the obligations under the Senior Secured Credit Facilities, the Interim Loan, the Asset Based Facilities or any other material financing arrangement were to be accelerated, it is not likely that the obligors would have, or be able to obtain, sufficient funds to make these accelerated payments, and as a result LyondellBasell Industries or one or more of its subsidiaries could be forced into bankruptcy or liquidation. In addition, if Lyondell were unable generally to pay its debts as they become due, PDVSA Oil would have the right to terminate its crude oil contract with Lyondell's subsidiary Houston Refining. See "LyondellBasell Industries' crude oil contract with PDVSA Oil is subject to the risk of enforcing contracts against non-U.S. affiliates of a sovereign nation and political, force majeure and other risks."

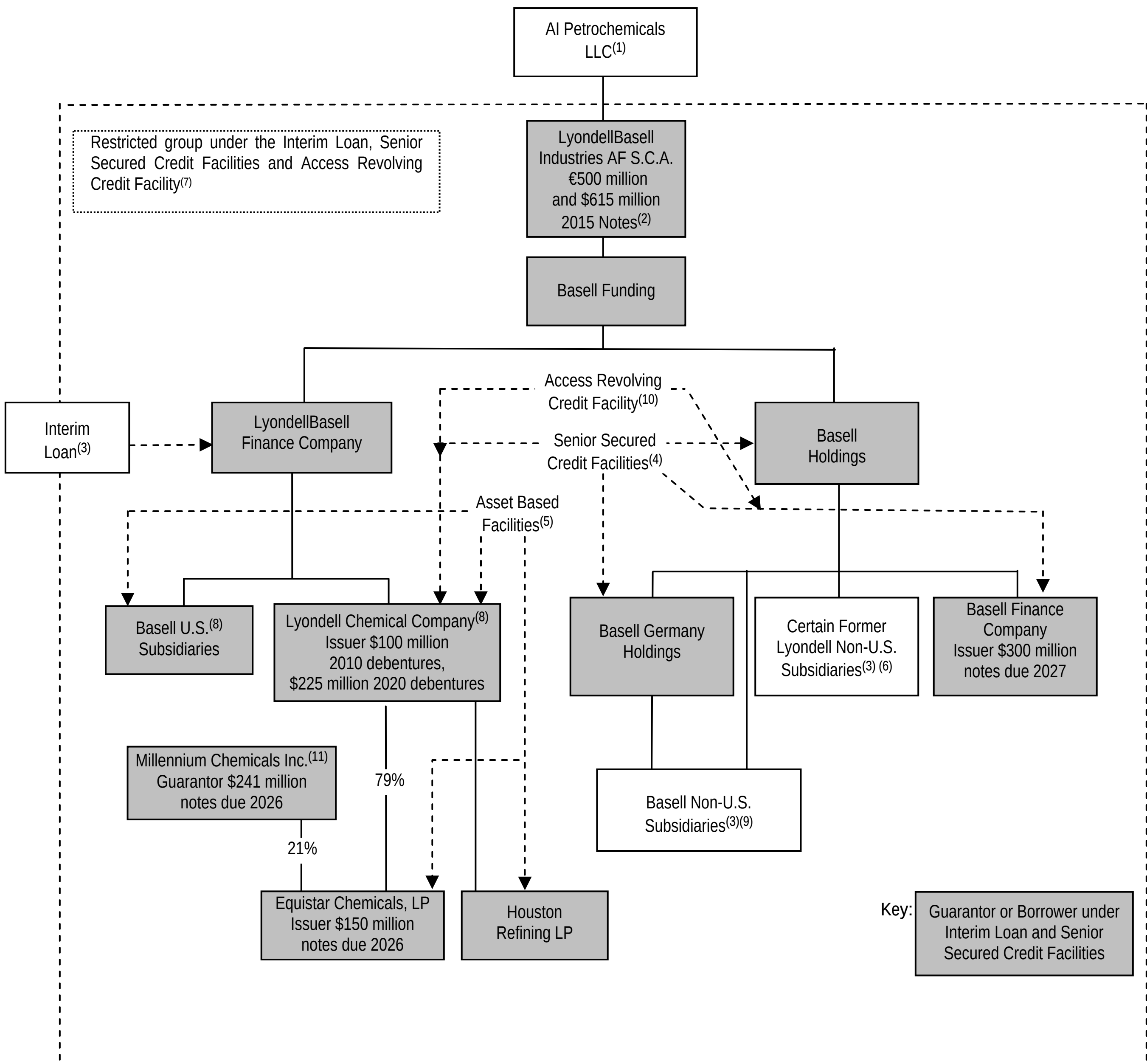
## SECTION 4: DESCRIPTION OF INDEBTEDNESS

The following is a summary of certain provisions of material instruments governing LyondellBasell Industries' indebtedness. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying instruments.

For purposes of the following description of indebtedness, references to an entity refer only to that entity and do not include that entity's subsidiaries.

### Overview

The diagram below represents a condensed version of the LyondellBasell Industries corporate and capital structure, excluding the transactions described under "Other Financing."



(1) AI Petrochemicals LLC, which is controlled by Access Industries, controls LyondellBasell Industries.

(2) The 2015 Notes are senior obligations of LyondellBasell Industries and are guaranteed on a senior subordinated basis by those entities that are borrowers or guarantors under the Senior Secured Credit Facilities and the Interim Loan.

(3) The Interim Loan is a senior obligation of LyondellBasell Finance Company guaranteed on a senior basis by LyondellBasell Industries and certain subsidiaries. Each of the entities shaded in gray guarantees or is a borrower under the Interim Loan and the Senior Secured Credit Facilities. Certain other subsidiaries of LyondellBasell Industries (including certain of the subsidiaries included in the "Basell Non-U.S. Subsidiaries" box of the diagram) also guarantee the Interim Loan and the Senior Secured Credit Facilities. The material subsidiaries that did not provide guarantees are generally subject to legal or contractual restrictions that limit their ability to give guarantees. All entities that guarantee the 2015 Notes also guarantee the Interim Loan and guarantee or are borrowers under the Senior Secured Credit Facilities.

(4) The Senior Secured Credit Facilities comprise a $2,000 million (€1,359 million) term loan A facility, a $7,550 million (€5,131 million) and €1,300 million term loan B facility and a $1,000 million (€680 million) revolving credit facility. Basell Holdings B.V., Basell Germany Holdings GmbH, Basell Finance Company B.V. and Lyondell Chemical Company are the borrowers under the Senior Secured Credit Facilities. Each of the other entities shaded in gray guarantees the Senior Secured Credit Facilities. The entities that are guarantors and borrowers under the Senior Secured Credit Facilities (excluding LyondellBasell Finance Company, which is the borrower under the Interim Loan) are the same entities that guarantee the Interim Loan.

(5) The Asset-Based Facilities include an inventory facility of up to $1,000 million (€680 million) and a receivables facility of up to $1,150 million (€782 million). Lyondell Chemical Company, Houston Refining LP and Equistar Chemicals, LP, each of which is an indirect wholly owned subsidiary of Lyondell Chemical Company, and Basell USA Inc. (an entity included in the "Basell U.S. Subsidiaries" box of the diagram) are borrowers under the inventory facility. The inventory facility is guaranteed by each U.S. subsidiary of a borrower that is a guarantor under the Senior Secured Credit Facilities (other than Equistar Chemicals, LP and Houston Refining LP). Lyondell Chemical Company, Equistar Chemicals, LP and Houston Refining LP are originators under the receivables facility.

(6) Non-U.S. subsidiaries of Lyondell Chemical Company, excluding French subsidiaries and certain joint venture investments, were sold to subsidiaries of Basell Holdings in connection with the acquisition of Lyondell Chemical Company. These former Lyondell Non-U.S. Subsidiaries are held indirectly by Basell Holdings through subsidiaries.

(7) LyondellBasell Industries and its subsidiaries are subject to the restrictive covenants under the Interim Loan, the Senior Secured Credit Facilities and the Access Revolving Credit Facility.

(8) The entities comprising the "Basell U.S. Subsidiaries" (which includes Basell USA Inc.) and Lyondell Chemical Company are indirect wholly owned subsidiaries of LyondellBasell Finance Company. Of the entities comprising the "Basell U.S. Subsidiaries," only Basell USA Inc. is a borrower under the inventory facility of the Asset-Based Facilities.

(9) Certain legacy Basell Non-U.S. Subsidiaries are held by Basell Germany Holdings and others are owned by other subsidiaries of Basell Holdings.

(10) The Access Revolving Credit Facility provides a senior unsecured $750 million (€478 million at subscription date) revolving credit facility to Lyondell Chemical Company and Basell Finance Company, as borrowers. No subsidiaries are guarantors under the facility.

(11) Millennium Chemicals Inc. and its following direct and indirect subsidiaries are guarantors of the Senior Secured Credit Facilities and Interim Loan: Millennium America Holdings Inc., Millennium America Inc.,

Millennium Petrochemicals GP LLC, Millennium Petrochemicals Inc., Millennium Petrochemicals Partners, LP, Millennium Specialty Chemicals Inc., Millennium US Op Co, LLC and Millennium Worldwide Holdings I Inc.

**Senior Secured Credit Facilities**

The following is a summary of the provisions of a senior secured credit agreement dated as of December 20, 2007 between, among others, BIL Acquisition Holdings Limited ("Merger Sub"), which merged with and into Lyondell Chemical Company ("Lyondell"), in connection with the Lyondell acquisition, Basell Holdings B.V., a wholly owned subsidiary of LyondellBasell Industries ("Basell Holdings"), Basell Finance Company B.V. ("Basell Finance"), a wholly owned subsidiary of LyondellBasell Industries, Basell Germany Holdings GmbH ("Basell Germany Holdings"), a wholly owned subsidiary of Basell Holdings, LyondellBasell Industries, as a guarantor, certain subsidiaries of LyondellBasell Industries, as subsidiary guarantors, and Citibank, N.A., as Administrative Agent, U.S. Swing Line Lender and Collateral Agent, Citibank, N.A., London Branch, as European Swing Line Lender, and Citigroup Global Markets Inc., Goldman Sachs Credit Partners, L.P., Merrill Lynch, Pierce, Fenner & Smith Incorporated, ABN AMRO Incorporated and UBS Securities LLC, as joint lead arrangers and joint bookrunners (the "Senior Secured Credit Facilities").

*Structure*

The Senior Secured Credit Facilities provide for the following:

- a senior secured tranche A term loan facility of $2,000 million (€1,359 million);
- a senior secured tranche B term loan facility of $7,550 million (€5,131 million) and €1,300 million; and
- a senior secured multicurrency revolving credit facility of $1,000 million (€680 million).

Borrowings under the term loan facilities were used, together with approximately $130 million of borrowings under the revolving credit facility and borrowings under the Asset-Based Facilities (as defined below) and the Interim Loan (as defined below), to finance the Lyondell acquisition, repay certain of Basell's outstanding indebtedness as well as certain of Lyondell's outstanding indebtedness and pay related fees and expenses. The revolving credit facility may be used to finance the general corporate requirements of LyondellBasell Industries.

*Borrowers*

In connection with the Lyondell acquisition, $500 million of the tranche A term loan facility was borrowed by Basell Holdings with the remaining portion borrowed by Merger Sub (which subsequently merged with and into Lyondell). €1,300 million of the tranche B term loan facility was borrowed by Basell Germany Holdings with the remaining $7,550 million borrowed by Merger Sub. The revolving credit facility is available to Lyondell, Basell Finance, Basell Holdings and Basell Germany Holdings. At December 31, 2007, the full amounts were outstanding under tranche A and tranche B and no amounts were borrowed under the revolving credit facility.

*Interest and Fees*

At the option of the applicable borrower, loans under the Senior Secured Credit Facilities bear interest at rates per annum equal to:

> either (i) adjusted LIBOR (or, in the case of euro loans, EURIBOR) plus the applicable margin or (ii) the higher of (A) the U.S. federal funds rate plus 0.5% and (B) the U.S. prime rate plus the applicable margin;

plus, in each case, as applicable, mandatory costs and/or U.S. statutory reserve costs (if any).

The applicable margin and unused commitment fee are subject to a pricing grid based on the First Lien Senior Secured Leverage Ratio (as defined in the Senior Secured Credit Facilities).

*Guarantees*

The Senior Secured Credit Facilities are guaranteed irrevocably and unconditionally, jointly and severally, on a senior secured basis by LyondellBasell Industries and certain of its subsidiaries.

*Security*

The borrowers and certain guarantors under the Senior Secured Credit Facilities granted first priority security interests over all of their present and after acquired material assets in favor of the lenders under the Senior Secured Credit Facilities. In addition, such borrowers and guarantors granted first priority security interests over their share capital of certain of their subsidiaries.

*Covenants*

The Senior Secured Credit Facilities contain customary covenants, subject to certain agreed exceptions, including covenants restricting the ability of LyondellBasell Industries, each borrower and each guarantor (and in certain cases, the subsidiaries of such borrowers or guarantors) to, among other things:

- incur, assume or permit to exist indebtedness or guarantees;
- incur, assume or permit to exist liens;
- make loans and investments;
- declare dividends, make payments on or redeem or repurchase capital stock;
- engage in mergers, acquisitions and other business combinations;
- prepay, redeem or purchase certain indebtedness;
- amend or otherwise alter terms of certain indebtedness and other material agreements;
- make dispositions of assets;
- engage in transactions with affiliates;
- enter into or permit to exist contractual obligations limiting the ability of LyondellBasell Industries and certain of its subsidiaries to make distributions or to incur or permit to exist liens; and
- alter the conduct of business.

The Senior Secured Credit Facilities require LyondellBasell Industries to comply with the following financial covenants:

- *First Lien Senior Secured Leverage Ratio*: a maximum First Lien Senior Secured Leverage Ratio of 3.75:1.0;
- *Consolidated Debt Service Ratio*: a minimum consolidated debt service ratio (as defined in the Senior Secured Credit Facilities) of 1.1:1.0; and
- *Capital Expenditures*: a maximum level of capital expenditures per year.

The Senior Secured Credit Facilities include equity cure provisions with respect to breaches of financial covenants.

*Repayment*

The term A loans have a final maturity of six years. The amortization schedule results in a weighted average life of 4.75 years. The tranche B term loan facility amortizes at 1% per annum of the initial principal amount of the tranche B term loan facility (which is payable in quarterly installments) with all remaining amounts paid at final maturity. The term B loans have a final maturity of seven years.

All amounts outstanding under the revolving credit facility have a final maturity of six years.

*Prepayments*

Subject to certain exceptions, mandatory prepayments are required to be made out of, among others, the following:

- 100% of net cash proceeds from certain events including certain sales, transfers, leases and other disposals, casualty and insurance events and recovery events;

- 100% of net cash proceeds of the incurrence of indebtedness; and

- for any fiscal year (commencing with the fiscal year ending December 31, 2008), a portion of excess cash flow.

The borrowers may voluntarily prepay amounts outstanding under the tranche A term loan facility, the tranche B term loan facility and the revolving facility at any time without penalty or premium.

*Events of Default*

The Senior Secured Credit Facilities set out customary events of default, the occurrence of which would allow the lenders to accelerate all outstanding loans and terminate their commitments.

*Hedging Arrangements*

The borrowers are required to enter into and maintain hedging agreements for at least three years that result in at least 50% of LyondellBasell Industries' consolidated total debt (excluding revolving loans and excluding debt under securitizations and receivables financings transactions and asset-based facilities over $2.0 billion) being fixed-rate indebtedness. For purposes of this covenant, the Interim Loan is treated as fixed-rate indebtedness.

**Access Credit Facility**

On March 27, 2008, LyondellBasell Industries, Lyondell, as the U.S. borrower ("U.S. Borrower"), and Basell Finance, as the foreign borrower (the "Foreign Borrower" and together with the U.S. Borrower, the "Borrowers"), entered into a senior unsecured $750 million (€478 million at subscription date), eighteen-month revolving credit facility (the "Access Credit Facility") with Access Industries Holdings LLC, as lender (the "Lender"). The Lender is an affiliate of the Access Group, which owns LyondellBasell Industries. See "Security Ownership." The Access Credit Facility may be extended by mutual agreement of the parties. The Access Credit Facility has substantially the same terms as the Senior Secured Credit Facility except that it is unsecured and is not guaranteed by any subsidiary of LyondellBasell Industries. As of March 31, 2008, there were no borrowings outstanding under the facility.

*Structure*

The Access Credit Facility provides for an aggregate amount of up to the equivalent of US$750,000,000 to be available to the Borrowers in U.S. Dollars and, to the extent agreed to by the Lender, Euros.

Borrowings under the Access Credit Facility may be used by the Borrowers for working capital and general corporate purposes of LyondellBasell Industries and its subsidiaries.

*Interest and Fees*

Loans under the Access Credit Facility bear interest at rates per annum equal to either (i) adjusted LIBOR (or, in the case of Euro loans, EURIBOR) plus the applicable margin or (ii) the higher of (A) the federal funds rate plus 0.5% and (B) the prime rate plus the applicable margin.

The applicable margin and unused commitment fee are subject to a pricing grid based on the First Lien Senior Secured Leverage Ratio (as defined in the Access Credit Facility).

*Covenants*

The Access Credit Facility contains customary covenants, subject to certain agreed exceptions, including covenants restricting the ability of LyondellBasell Industries and each Borrower (and in certain cases, the subsidiaries of LyondellBasell Industries or the Borrowers) to, among other things:

- incur, assume or permit to exist indebtedness or guarantees;
- incur, assume or permit to exist liens;
- make loans and investments;
- declare dividends, make payments on or redeem or repurchase capital stock;
- engage in mergers, acquisitions, and other business combinations;
- prepay, redeem or purchase certain indebtedness;
- amend or otherwise alter terms of certain indebtedness, and other material agreements;
- make dispositions of assets;
- engage in transactions with affiliates;
- enter into or permit to exist contractual obligations limiting the ability of LyondellBasell Industries and certain of its subsidiaries to make distributions or to incur or permit to exist liens; and
- alter the conduct of business.

The Access Credit Facility requires LyondellBasell Industries to comply with the following financial covenants:

- *First Lien Senior Secured Leverage Ratio*: a maximum First Lien Senior Secured Leverage Ratio of 3.75:1.0;
- *Consolidated Debt Service Ratio*: a minimum consolidated debt service ratio (as defined in the Access Credit Facility) of 1.10:1.0; and
- *Capital Expenditures*: a maximum level of capital expenditures per year.

The Access Credit Facility includes equity cure provisions with respect to breaches of financial covenants.

*Repayment*

All amounts outstanding under the Access Credit Facility have a final maturity of 18 months.

*Prepayments*

Mandatory repayments by the Borrowers are required to be made if the sum of the outstanding principal amount of the loans under the Access Credit Facility exceeds $750,000,000, and only to an amount equal to such excess.

The Borrowers may voluntarily prepay amounts outstanding under the Access Credit Facility at any time without penalty or premium.

*Events of Default*

The Access Credit Facility sets out customary events of default, the occurrence of which would allow the Lender to accelerate all outstanding loans and terminate its commitments.

**Interim Loan**

The following is a summary of the provisions of the Interim Loan dated as of December 20, 2007 (the "Interim Loan") between, among others, LyondellBasell Finance Company ("LyondellBasell Finance"), a wholly owned subsidiary of LyondellBasell Industries, as borrower, LyondellBasell Industries, as a guarantor, certain subsidiaries of LyondellBasell Industries, as subsidiary guarantors, and Merrill Lynch Capital Corporation, Citigroup Global Markets Inc., Goldman Sachs Credit Partners, L.P., ABN AMRO Incorporated and UBS Securities LLC, as joint lead arrangers and joint bookrunners (the "Interim Loan Agreement").

*Structure*

The Interim Loan agreement provides for a facility of $8,000 million (€5,437 at December 31, 2007) that ranks equally in right of payment with all of LyondellBasell Finance's existing and future senior indebtedness, and senior to all of LyondellBasell Finance's current and future subordinated indebtedness.

Borrowings under the Interim Loan were used, together with certain borrowings under the Senior Secured Credit Facilities and borrowings under the Asset-Based Facilities, to finance the Lyondell acquisition, repay certain of Basell's outstanding indebtedness as well as certain of Lyondell's outstanding indebtedness, and pay related fees and expenses.

*Interest and Fees*

Loans under the Interim Loan bear interest at rates per annum equal to LIBOR plus a margin. The initial margin will increase after the first six months by an additional 0.50% for each consecutive three-month period thereafter.

*Guarantees*

All obligations under the Interim Loan are guaranteed by the same entities that are borrowers or guarantors under the Senior Secured Credit Facilities irrevocably and unconditionally, jointly and severally, on a senior secured basis.

*Security*

The same entities that granted security interests under the Senior Secured Credit Facilities granted a second priority security interest in favor of the lenders under the Interim Loan over the collateral securing the lenders under the Senior Secured Credit Facilities.

*Covenants*

The Interim Loan Agreement contains customary incurrence based covenants which include, among others, restrictions on the ability of LyondellBasell Industries and its restricted subsidiaries to:

- incur additional indebtedness;
- make restricted payments;
- create certain liens;
- sell assets;
- in the case of restricted subsidiaries, enter into arrangements that restrict dividends or other payments to LyondellBasell Industries;
- engage in transactions with affiliates;
- create unrestricted subsidiaries; and
- consolidate, merge or transfer all or substantially all of LyondellBasell Industries' assets and the assets of its subsidiaries on a consolidated basis.

*Repayment*

Any loan outstanding under the Interim Loan on the first anniversary of the date of completion of the Lyondell acquisition will be automatically converted into a senior secured loan, to be repaid in full on December 20, 2015. The extended loans will be guaranteed by the same guarantors as the initial loans and will be secured, on a second ranking basis, with the same assets that secured the initial loans. At any time on or after such conversion date, at the option of the applicable lender, such loans may be exchanged in whole or in part for exchange notes; the exchange notes will be guaranteed by the same guarantors as the extended loans and will be secured, on a pari passu basis with the extended loans, with the same assets that secure the extended loans subject to certain limited exceptions. The exchange notes will benefit from customary registration rights.

*Prepayments*

Mandatory prepayments are required to be made out of, among other sources, net cash proceeds from:

- the issuance of any indebtedness, the purpose of which is to refinance the loans under the Interim Loan;
- subject to the prior repayment of loans outstanding under the Senior Secured Credit Facilities, any non-ordinary course asset sales by LyondellBasell Industries or any of its subsidiaries;
- certain insurance recovery payments; and
- the issuance of equity securities of, or capital contributions to, LyondellBasell Finance (other than proceeds of equity investments by LyondellBasell Industries).

*Events of Default*

The Interim Loan Agreement sets out customary events of default, the occurrence of which would allow the lenders to accelerate all outstanding loans and terminate their commitments.

**Basell 2015 Notes**

On August 10, 2005, Basell issued $615 million and €500 million in aggregate principal amount of 8⅜% Senior Notes due 2015 (the "2015 Notes"), all of which were outstanding at December 31, 2007. The 2015 Notes were issued pursuant to an indenture dated as of August 10, 2005 (the "2015 Indenture") between, among others, Basell, each of the guarantors named therein, as guarantors, and The Bank of New York, as Trustee. The notes are senior obligations of LyondellBasell Industries. The guarantees are senior subordinated obligations of each of the guarantors. For a description of the subordination provision applicable to these guarantees, see "—Intercreditor Agreement" below.

*Interest Payments*

Interest on the 2015 Notes is payable semi-annually at an annual rate of 8⅜% on February 15 and August 15 of each year.

*Redemption and Repurchase*

LyondellBasell Industries may redeem some or all of the 2015 Notes on or prior to August 15, 2010 by paying 100% of the principal amount of such 2015 Notes plus a make whole premium. At any time on or after August 15, 2010, LyondellBasell Industries may redeem some or all of the 2015 Notes at customary redemption prices.

At any time before August 15, 2008, LyondellBasell Industries may redeem up to 35% of the aggregate principal amount of each series of 2015 Notes with the net proceeds of certain equity offerings at 108.375% of the principal amount of such notes, plus accrued interest, if at least 65% of the originally issued aggregate principal amount of the respective series of 2015 Notes remains outstanding.

*Guarantee of the 2015 Notes*

LyondellBasell Industries' obligations under the 2015 Notes are jointly and severally guaranteed on an unsecured senior subordinated basis by certain entities that were subsidiaries of Basell prior to the Lyondell acquisition. In connection with the Lyondell acquisition, the other entities which are borrowers or guarantors under the Senior Secured Credit Facilities entered into a supplemental indenture to the 2015 Indenture under which they guarantee the 2015 Notes on an unsecured senior subordinated basis.

*Security*

LyondellBasell Industries' obligations under the 2015 Notes are secured by a second priority pledge of the loan of the proceeds of the issuance of the 2015 Notes from LyondellBasell Industries to Basell Holdings (the "2015 High Yield Proceeds Loan") and 100% of the shares of Basell Funding S.à r.1., a wholly owned subsidiary of LyondellBasell Industries. For a description of the 2015 High Yield Proceeds Loan, see "—2015 High Yield Proceeds Loan" below.

*Covenants*

The 2015 Indenture contains customary covenants which include, among others, restrictions on the ability of LyondellBasell Industries and its restricted subsidiaries to:

- incur additional indebtedness;
- make restricted payments;
- create certain liens;
- sell assets;
- enter into sale and leaseback transactions;
- issue or sell preferred stock;
- in the case of restricted subsidiaries, enter into arrangements that restrict dividends or other payments to LyondellBasell Industries;

- engage in transactions with affiliates;
- create unrestricted subsidiaries; and
- consolidate, merge or transfer all or substantially all of LyondellBasell Industries' assets and the assets of its subsidiaries on a consolidated basis.

*Events of Default*

The 2015 Indenture contains customary events of default.

**2015 High Yield Proceeds Loan**

Basell used the gross proceeds of the 2015 Notes to fund the 2015 High Yield Proceeds Loan pursuant to the 2015 High Yield Proceeds Loan Agreement between Basell and Basell Holdings. Interest accrues on the 2015 High Yield Proceeds Loan at a rate at least equal to the interest rate payable on the 2015 Notes, with such adjustments as may be agreed between the parties or necessary to match any additional amounts due thereafter, or any default or special interest payable with respect to the notes. Subject to the terms of the Intercreditor Agreement, the 2015 High Yield Proceeds Loan is repayable at the same time as the repayment in full or in part of amounts due under the 2015 Notes, whether at maturity, on early redemption or mandatory repurchase or upon acceleration. See "—Intercreditor Agreement" for information regarding the subordination of the 2015 High Yield Proceeds Loan.

**Basell Finance 8.10% Guaranteed Notes due 2027**

On March 15, 1997, Basell Finance issued $300 million in aggregate principal amount of 8.10% Guaranteed Notes due 2027 (the "2027 Notes") pursuant to a Fiscal and Paying Agency Agreement dated as of March 15, 1997 (the "2027 Agreement"), among Basell Finance, Basell B.V. (the predecessor to Basell Holdings) and the Chase Manhattan Bank, London Branch and New York Branch, as Paying Agents, as supplemented by the Amendment to the Fiscal Paying Agency Agreement dated as of July 25, 2002. As of December 31, 2007, all $300 million aggregate principal amount of the 2027 Notes was outstanding.

*Interest Payments*

Interest on the 2027 Notes is payable semi-annually at an annual rate of 8.10% on March 15 and September 15 of each year.

*Redemption and Repurchase*

Basell Finance may redeem the 2027 Notes, in whole or in part, on any interest payment date. The redemption price shall equal any unpaid interest thereon to the redemption date, plus the greater of (i) the principal amount thereof and (ii) an amount equal to the discounted remaining payments as defined in the 2027 Agreement.

In addition, Basell Finance has the option to redeem the 2027 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, if any, if, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of The Netherlands affecting taxation, or in the official position regarding application or interpretation of such laws, regulations or rulings, which change, on the occasion of the next payment of principal or interest payment in respect of the 2027 Notes Basell Finance or Basell Holdings would be obligated to pay additional amounts (as defined in the 2027 Agreement) and such obligation can not be avoided by Basell Finance or Basell Holdings taking reasonable measures available to it.

*Guarantee of the 2027 Notes*

Basell Finance's obligations under the 2027 Notes are guaranteed on a senior, unsecured basis by Basell Holdings.

*Covenants*

The 2027 Agreement contains customary covenants which include, among others, restrictions on the ability of Basell Finance, Basell Holdings and Basell Holdings' restricted subsidiaries to:

- incur liens on certain restricted property;
- incur additional indebtedness;
- enter into sale and leaseback transactions; and
- merge, consolidate or transfer all or substantially all of its assets.

*Events of Default*

The 2027 Agreement contains customary events of default.

**Lyondell 10¼% Debentures due 2010 and 9.8% Debentures due 2020**

On November 7, 1990, ARCO Chemical Company ("ARCO Chemical") issued $100 million in aggregate principal amount of 10¼% Debentures due 2010 (the "2010 Debentures"). On February 6, 1990, ARCO Chemical issued $225 million in aggregate principal amount of 9.8% Debentures due 2020 (the "2020 Debentures" and, together with the 2020 Debentures, the "Lyondell Debentures"). The Lyondell Debentures were issued pursuant to an indenture dated as of June 15, 1988, among ARCO Chemical, each of the guarantors named therein, as Guarantors, and The Bank of New York, as Trustee, as supplemented by the First Supplemental Indenture dated as of January 5, 2000, pursuant to which Lyondell assumed all obligations under the ARCO Chemical Indenture following the merger of ARCO Chemical with and into Lyondell (collectively, the "Lyondell Indenture"). As of December 31, 2007, all $100 million (€68 million) aggregate principal amount of the 2010 Debentures and all $225 million (€153 million) aggregate principal amount of the 2020 Debentures were outstanding.

*Interest Payments*

Interest on the 2010 Debentures is payable semi-annually at an annual rate of 10¼% on May 1 and November 1 of each year. Interest on the 2020 Debentures is payable semi-annually at an annual rate of 9.8% on February 1 and August 1 of each year.

*Redemption and Repurchase*

The Lyondell Debentures are not redeemable prior to maturity.

*Security*

Prior to the Lyondell acquisition, the Lyondell Debentures were unsecured. Pursuant to the terms of the Lyondell Indenture, in connection with the Lyondell acquisition and related financing transactions, the Lyondell Debentures became equally and ratably secured with the property held directly by Lyondell that secures the Senior Secured Credit Facilities and the Interim Loan, including four operating plants (the propylene glycol (PG) and propylene glycol ethers (PGE) plants at Lyondell's Bayport facility and the butanediol (BDO) and methyl tertiary butyl ether (MTBE) plants at Lyondell's Channelview facility) and the capital stock of Lyondell's directly owned subsidiaries.

*Covenants*

The Lyondell Indenture contains customary covenants which include, among others, restrictions on the ability of Lyondell and certain of its subsidiaries to:

- create certain liens;
- enter into sale and leaseback transactions; and
- merge, consolidate or transfer all or substantially all of its assets.

*Events of Default*

The Lyondell Indenture contains customary events of default.

**Equistar 7.55% Senior Notes due 2026**

On February 15, 1996, Lyondell issued $150 million in aggregate principal amount of 7.55% Senior Notes due 2026 (the "Equistar Notes") pursuant to an Indenture dated as of January 29, 1996 between Lyondell and Texas Commerce Bank National Association, as Trustee, as supplemented by the First Supplemental Indenture dated as of February 15, 1996, the Second Supplemental Indenture dated as of December 1, 1997, the Third Supplemental Indenture dated as of November 3, 2000 and the Fourth Supplemental Indenture dated November 17, 2000 (collectively the "Equistar Indenture"). The Equistar Notes were assumed by Equistar from Lyondell in connection with Equistar's formation in 1997. At December 31, 2007, all $150 million (€102 million) aggregate principal amount of the Equistar Notes were outstanding.

*Interest Payments*

Interest on the Equistar Notes is payable semi-annually at an annual rate of 7.55% on February 15 and August 15 of each year.

*Redemption and Repurchase*

The Equistar Notes are not redeemable prior to maturity.

*Guarantee of the Equistar Notes*

The obligations under the Equistar Notes are guaranteed by Lyondell.

*Security*

Prior to the Lyondell acquisition, the Equistar Notes were unsecured. In connection with financing transactions for the Lyondell acquisition, the Senior Secured Credit Facilities and the Interim Loan were secured by certain restricted properties (as defined in the Equistar Indenture) of Equistar. The Equistar Indenture generally defines restricted properties to be (i) any plant for the production of petrochemicals and (ii) shares of capital stock or indebtedness of a subsidiary which owns property described in clause (i). Pursuant to the terms of the Equistar Indenture, the Equistar Notes became equally and ratably secured with the restricted properties that secure the Senior Secured Credit Facilities.

*Covenants*

The Equistar Indenture contains customary covenants which include, among others, restrictions on the ability of Equistar and certain of its subsidiaries to:

- incur liens;
- enter into sale and leaseback transactions; and
- merge, consolidate or transfer all or substantially all of its assets.

*Events of Default*

The Equistar Indenture contains customary events of default.

**Millennium 7⅝% Senior Unsecured Notes due 2026**

On November 21, 1996, Millennium America Inc. ("Millennium America"), a wholly-owned subsidiary of Millennium, issued $250 million in aggregate principal amount of 7⅝% Senior Unsecured Notes due 2026 (the "Millennium Notes") pursuant to an indenture dated as of November 27, 1996, among Millennium America, Millennium, as guarantor, and The Bank of New York, as Trustee, as supplemented by the First Supplemental Indenture dated as of November 21, 1997 (collectively, the "Millennium Indenture"). At December 31, 2007, there were $241 million (€164 million) aggregate principal amount of the Millennium Notes outstanding.

*Interest Payments*

Interest on the Millennium Notes is payable semi-annually at an annual rate of 7⅝% on May 15 and November 15 of each year.

*Redemption and Repurchase*

The Millennium Notes are not redeemable prior to maturity except upon the occurrence of certain amendments to the laws of the United Kingdom (or any certain other jurisdictions) which would affect taxation leading to the additional payments of principal and interest on the Millennium Notes on a subsequent payment date. Upon the occurrence of such an event, Millennium America may redeem the Millennium Notes at any time at a price of 100% of the principal amount plus accrued interest to the date fixed for redemption.

*Security*

Under the terms of the Millennium Indenture, Millennium America and certain of its subsidiaries may not issue, assume or guarantee any debt secured by liens upon certain restricted properties (as defined in the Millennium Indenture), without providing that any Millennium Notes are secured equally and ratably to such debt. The Millennium Notes were unsecured prior to, and remain unsecured after giving effect to, the Lyondell acquisition and related financing transactions because Millennium America and its subsidiaries did not pledge any property as collateral under the Senior Secured Credit Facilities or the Interim Loan.

*Guarantee of the Millennium Notes*

Millennium America's obligations under the Millennium Notes are jointly and severally guaranteed by Millennium.

*Covenants*

The Millennium Indenture contains customary covenants which include, among others, restrictions on the ability of Millennium America and certain of its subsidiaries to:

- incur additional indebtedness;
- create certain liens;
- enter into sale and leaseback transactions; and
- merge, consolidate or transfer all or substantially all of its assets.

*Events of Default*

The Millennium Indenture contains customary events of default.

**Asset-Based Inventory Facility**

In connection with the Lyondell acquisition, Lyondell, Houston Refining, Equistar and Basell USA Inc., a wholly owned subsidiary of LyondellBasell Finance ("BUSA" and, together with Lyondell, Houston Refining and Equistar, the "ABF Borrowers"), entered into a $1,000 million (€680 million) senior secured inventory-based credit facility dated as of December 20, 2007 (the "ABF Inventory Facility") with Citigroup Global Markets Inc., Goldman Sachs Credit Partners L.P., Merrill Lynch Capital Corporation, ABN AMRO Incorporated and UBS Securities LLC, as arrangers, Citibank, N.A., JPMorgan Chase Bank N.A., and other banks acting in the capacity of issuers of letters of credit (collectively, the "Issuers"), Citicorp USA, Inc., as the Inventory Administrative Agent, and the lenders party thereto (the "ABF Lenders").

*Structure*

The ABF Inventory Facility provides for a revolving credit facility made available to the ABF Borrowers in a principal amount of the lesser of $1,000 million (€680 million) or a borrowing base. The ABF Inventory Facility provides for advances, the issuance of letters of credit and swingline loans. The ABF Inventory Facility provides for an incremental increase at the option of the ABF Borrowers. The total amount of such increase in the ABF Inventory Facility plus any increase permitted under the ABF Receivables Facility (as defined below) may not exceed $600 million.

The ABF Borrowers are jointly and severally liable for all obligations under the ABF Inventory Facility.

Approximately $175 million in proceeds of the ABF Inventory Facility were used together with certain borrowings under the Senior Secured Credit Facilities, proceeds under the ABF Receivables Facility and the borrowings under the Interim Loan to finance the Lyondell acquisition, repay certain of Basell's outstanding indebtedness as well as certain of Lyondell's outstanding indebtedness and pay related fees and expenses. Proceeds of the ABF Inventory Facility may also be used to finance general corporate purposes. At December 31, 2007, $100 million (€68 million) was outstanding under the ABF Inventory Facility.

The ABF Inventory Facility will terminate on December 20, 2012 or the earlier termination of the facility pursuant to the terms thereof (the "Termination Date"), and all loans outstanding under the ABF Inventory Facility will be due and payable on the Termination Date.

*Interest and Fees*

Loans under the ABF Inventory Facility bear interest, at the option of the ABF Borrowers, at one of the following rates:

- the applicable margin plus the Alternate Base Rate (as defined below), calculated on a 365/366-day basis and payable monthly in arrears; or

- the applicable margin plus the current LIBO Rate (as defined below) calculated on a 360-day basis and payable at the end of the relevant interest period, but in any event at least quarterly.

"Alternate Base Rate" means the highest of (i) Citibank's base rate, (ii) the three-month certificate of deposit rate *plus* 1/2 of 1% and (iii) the U.S. federal funds effective rate *plus* 1/2 of 1%.

"LIBO Rate" means the current LIBO rate as quoted by Telerate page 3750, adjusted for reserve requirements, if any, and subject to customary change of circumstance provisions, for interest periods of one, two, three or six months, or of one week if available to all lenders.

The ABF Borrowers will be required to pay a non-refundable unused commitment fee on the daily average unused portion of the ABF Inventory Facility (whether or not then available), payable quarterly in arrears and on the Termination Date.

A percentage per annum equal to the applicable letter of credit margin to the lenders, and a fixed percentage per annum to the Issuers, will accrue on the outstanding undrawn amount of any letter of credit, payable quarterly in arrears and computed on a 360-day basis.

*Guarantees*

The ABF Inventory Facility is guaranteed on an unsecured basis by each U.S. subsidiary of an ABF Borrower that guarantees the obligations under the Senior Secured Credit Facilities (other than Equistar and Houston Refining) on terms and subject to limitations consistent with those applicable to the Senior Secured Credit Facilities.

*Security*

All amounts owing by the ABF Borrowers under the ABF Inventory Facility (including, without limitation, any exposure of a lender in respect of cash management transactions incurred on behalf of the ABF Borrowers, the guarantors or their subsidiaries) are secured by the following property of each ABF Borrower that grants a security interest to the ABF Lenders and other secured parties (each such person, a "Lien Grantor"), (i) a first priority pledge of all equity interests owned by a Lien Grantor in, and all indebtedness owed to a Lien Grantor by, LyondellBasell Receivables I, LLC (the Seller under the ABF Receivables Facility) and Basell Capital Corporation, a wholly owned subsidiary of BUSA and (ii) a first priority security interest in all accounts, inventory and related assets owned by each Lien Grantor, subject to customary exceptions for transactions of this type. As of March 31, 2008, Lyondell was not a Lien Grantor.

*Availability*

Availability under the ABF Inventory Facility is, at any date, an amount equal to the lesser of (i) the then effective commitments under the ABF Inventory Facility and (ii) the borrowing base on such date.

*Triggering Events*

Upon the occurrence of a Triggering Event, mandatory prepayment, more stringent reporting and auditing requirements, and limitation on transfers of cash from the ABF Borrowers to their parent companies would become applicable. Each of the following events will constitute a "Triggering Event" under the ABF Inventory Facility:

(a) the Termination Date;

(b) the occurrence of an event of default under the ABF Inventory Facility;

(c) total collateral availability being less than \$225 million (€153 million) for any period of five (5) consecutive business days;

(d) total excess availability being less than \$200 million (€136 million) for any period of five consecutive business days unless on each day during that period both (x) total collateral availability is greater than or equal to \$275 million (€187 million) and (y) total excess availability is greater than or equal to \$150 million (€102 million); or

(e) total collateral availability being less than \$200 million (€136 million) on any business day;

provided that, (A) if, following a Triggering Event described in clause (b), the related event of default ceases to exist, such Triggering Event shall cease to exist and (B) if, following a Triggering Event described in clause (c), (d) or (e), total collateral availability subsequently equals or exceeds \$250 million for a period of 20 consecutive business days such Triggering Event shall cease to exist upon the first day following such 20-business day period.

*Prepayments*

Optional prepayments may be made at any time without premium or penalty. Mandatory prepayments are required to be made out of, among other things, net cash proceeds from sales of collateral not in the ordinary course of business and, upon certain events, other asset sales, subject to customary exceptions, and insurance and condemnation awards involving collateral, and, upon certain events, other casualty events, in each case received by any ABF Borrower or guarantor or certain of their subsidiaries in excess of agreed amounts.

*Events of Default, Affirmative and Negative Covenants*

The ABF Inventory Facility contains affirmative and negative covenants, applicable to the ABF Borrowers and guarantors, and in certain cases their respective subsidiaries, and events of default (including total excess availability being less than $100 million for a period of two consecutive business days) which are substantially similar to those in the Senior Secured Credit Facilities, with certain modifications and other provisions consistent with the terms of the existing asset-based loan facilities of the ABF Borrowers.

*Financial Covenants*

The ABF Borrowers agree that if for any period of four consecutive fiscal quarters the fixed charge coverage ratio calculated for such period is less than 1.10:1.0, then the ABF Borrowers shall not permit to exist a period of five consecutive business days during the fiscal quarter immediately following such four consecutive fiscal quarter period during which total excess availability is less than $200 million (€136 million) on each such business day, unless on each such business day total excess availability is at least $150 million (€102 million) and total collateral availability is at least $275 million (€187 million). Furthermore, the proceeds of loans under the ABF Inventory Facility may not be used to make certain dividends or distributions (other than to BUSA, Lyondell or certain of their respective subsidiaries) in the event that either (i) a default under the ABF Inventory Facility has occurred and is continuing or (ii) the daily average total excess availability fails to exceed $225 million (€153 million) on any business day during the five consecutive business days prior to the date of such dividend or distribution. Additionally, the ABF Inventory Facility is also subject to a cap on capital expenditures substantially similar to the covenant on maximum capital expenditures in the Senior Secured Credit Facilities.

**Asset-Based Receivables Facility**

In connection with the Lyondell acquisition, Lyondell entered into a $1,150 million (€782 million) receivables securitization facility dated as of December 20, 2007 (the "ABF Receivables Facility" and, together with the ABF Inventory Facility, the "Asset-Based Facilities") pursuant to a receivables purchase agreement by and among LyondellBasell Receivables I, LLC (the "Seller"), Lyondell, as servicer, Citigroup Global Markets Inc., Goldman Sachs Credit Partners L.P., Merrill Lynch Capital Corporation, ABN AMRO Incorporated and UBS Securities LLC, as arrangers, Citicorp USA, Inc. or an affiliate (the "RF Administrative Agent"), and certain purchasers party thereto, and accompanying receivables sale and undertaking documentation entered into by Lyondell, Equistar, Houston Refining and any other subsidiary of LyondellBasell Industries designated from time to time thereunder (collectively, the "Originators"). In connection with the Lyondell acquisition, approximately $1,060 million of receivables were sold under the ABF Receivables Facility. At December 31, 2007, $1,000 million (€680 million) of receivables were sold under the ABF Receivables Facility.

*Structure*

The ABF Receivables Facility provides for aggregate capital investments of the purchasers in an amount not to exceed the lesser of (i) $1,150 million (€782 million) (the "Program Limit") and (ii) the net receivables pool balance minus the applicable reserve. The Program Limit may, at the option of the Seller, be increased through the addition of new purchasers or increases in the commitments of existing purchasers. The total amount of any such increase in the Program Limit plus any permitted increase to the ABF Inventory Facility may not exceed $600 million.

Up to $75 million of the Program Limit is available to the Seller for swing purchases from Citicorp USA, Inc., as swing purchaser.

The ABF Receivables Facility will terminate upon the earliest to occur of (the “RF Termination Date”): (a) the fifth anniversary of the date of initial funding under the Senior Secured Credit Facilities, (b) the third business day after written notice by the Seller terminating the commitments of the purchasers and (c) the declaration or occurrence of the RF Termination Date following an event of termination under the program documentation or the Senior Secured Credit Facilities.

*Yield and Fees*

Capital investments bear a “yield,” at the option of the Seller, at one of the following rates:

- the RF applicable margin plus the RF Alternate Base Rate (as defined below), calculated on a 365/366-day basis and payable monthly in arrears; or

- the RF applicable margin plus the current LIBO Rate calculated on a 360-day basis and payable monthly in arrears.

“RF Alternate Base Rate” means the highest of (i) Citibank’s base rate, (ii) the three-month certificate of deposit rate plus 1/2 of 1% and (iii) the U.S. federal funds effective rate plus 1/2 of 1%.

A non-refundable unused commitment fee accrues at the RF applicable unused commitment fee rate on the daily average unused portion of the Program Limit (whether or not then available), payable monthly in arrears and on the RF Termination Date.

*RF Triggering Events*

Upon the occurrence of an RF Triggering Event, mandatory prepayment and more stringent reporting and auditing requirements would become applicable. Each of the following events will constitute a “RF Triggering Event” under the ABF Receivables Facility:

(a) the RF Termination Date;

(b) the occurrence of an event of termination under the program documentation;

(c) RF total asset availability being less than \$225 million (€153 million) for any period of five consecutive business days;

(d) RF total excess availability being less than \$200 million (€136 million) for any period of five consecutive business days unless on each day during that period both (x) RF total asset availability is greater than or equal to \$275 million (€187 million) and (y) RF total excess availability is greater than or equal to \$150 million (€102 million); or

(e) RF total asset availability being less than \$200 million (€136 million) on any business day;

*provided* that (A) if, following an RF Triggering Event described in clause (b), the related event of termination ceases to exist, such RF Triggering Event shall cease to exist and (B) if, following an RF Triggering Event described in clause (c), (d) or (e), RF total asset availability subsequently equals or exceeds \$250 million for a period of 20 consecutive business days, such RF Triggering Event shall cease to exist upon the first day following such 20-business day period.

*Events of Termination; Affirmative and Negative Covenants*

The ABF Receivables Facility documentation contains affirmative and negative covenants applicable to the Originators (and in certain cases their respective subsidiaries), the Seller and the servicer, as applicable, and events of termination (including RF total excess availability being less than \$100 million (€68 million) for a period of two consecutive business days) which are substantially the same as those in the Senior Secured Credit Facilities with certain modifications thereto, and other provisions consistent with the terms of the Originators' prior receivables facilities.

*Financial Covenant*

The Originators agree that if for any period of four consecutive fiscal quarters the fixed charge coverage ratio calculated for such period is less than 1.1:1.0, then the Originators shall not permit to exist a period of five consecutive business days during the fiscal quarter immediately following such four consecutive fiscal quarter period during which RF total excess availability is less than $200 million (€136 million) on each such business day, unless on each such business day RF total excess availability is at least $150 million (€102 million) and RF total asset availability is at least $275 million (€187 million). Additionally, the ABF Receivables Facility is subject to a cap on capital expenditures substantially similar to the covenant on maximum capital expenditures in the Senior Secured Credit Facilities.

**Intercreditor Agreement**

In connection with the closing of the Lyondell acquisition, LyondellBasell Industries, the borrowers and the guarantors under the Senior Secured Credit Facilities and certain intercompany borrowers and certain intercompany lenders entered into an amended and restated intercreditor agreement dated as of December 20, 2007 (the "Intercreditor Agreement") with, among others, the agent under the Senior Secured Credit Facilities (the "Senior Agent"), the agent under the Interim Loan (the "Interim Agent"), the agent under the ABF Inventory Facility (the "ABL Agent") and the trustees under the 2015 Indenture, the Lyondell Indenture and the Equistar Indenture.

*Ranking*

The Intercreditor Agreement provides that indebtedness outstanding under the Senior Secured Credit Facilities, the ABF Inventory Facility, the Interim Loan, the 2015 Indenture and certain other debt of the group will rank in right and priority of payment in the following order:

At the subsidiaries of LyondellBasell Industries:

- first, the indebtedness under the Senior Secured Credit Facilities, the ABF Inventory Facility and the Interim Loan, pari passu;
- second, the guarantees of the 2015 Notes and the High Yield Proceeds Loan; and
- third, intercompany debt.

At LyondellBasell Industries:

- first, the guarantee by LyondellBasell Industries of indebtedness under the Senior Secured Credit Facilities and the Interim Loan, and LyondellBasell Industries' obligations under the 2015 Notes, pari passu; and
- second, certain indebtedness to LyondellBasell Industries' shareholders and intercompany debt (other than the High Yield Proceeds Loan).

The ranking in right and priority of payment of (i) the 2027 Notes, (ii) the Lyondell Debentures, (iii) the Equistar Notes and (iv) the Millennium Notes, are not governed by the Intercreditor Agreement. The Intercreditor Agreement also does not purport to govern any obligations associated with the ABF Receivables Facility or any other securitization transaction.

*Priority of Security*

The collateral pledged as security under the Senior Secured Credit Facilities (other than the 2015 Collateral, the Lyondell Collateral and Equistar Collateral, each as defined below) ranks and secures indebtedness outstanding under the Senior Secured Credit Facilities and the Interim Loan in the following order:

- first, the indebtedness under the Senior Secured Credit Facilities; and

- second, the indebtedness under the Interim Loan.

The "2015 Collateral" consists of (i) a pledge of High Yield Proceeds Loan and (ii) a pledge of the shares of Basell Funding S.à r.l. The 2015 Collateral ranks and secures indebtedness in the following order:

- first, the indebtedness under the Senior Secured Credit Facilities and the Interim Loan, pari passu; and

- second, the 2015 Notes.

The "Lyondell Collateral" consists of the assets held directly by Lyondell which secure the indebtedness under the Senior Secured Credit Facilities including four operating plants and the capital stock of its directly owned subsidiaries. The Lyondell Collateral ranks and secures indebtedness in the following order:

- first, the indebtedness under the Senior Secured Credit Facilities and the Lyondell Debentures, pari passu; and

- second, the indebtedness under the Interim Loan.

The "Equistar Collateral" consists of pledges, mortgages and other security interest in assets which constitute "restricted properties" (as defined in the Equistar Indenture) of Equistar and its subsidiaries. The Equistar Indenture generally defines restricted properties to be (i) any plant for the production of petrochemicals and (ii) shares of capital stock or indebtedness of a subsidiary which owns property described in clause (i). The Equistar Collateral ranks and secures indebtedness in the following order:

- first, the indebtedness under the Senior Secured Credit Facilities and the Equistar Notes, pari passu; and

- second, the indebtedness under the Interim Loan.

This ranking will not apply to the costs and expenses of the security agent, the agents and the trustees under the applicable indentures in respect of any enforcement.

*Payment Blockage*

The Intercreditor Agreement does not permit the lenders under the Senior Secured Credit Facilities or the Senior Agent to block LyondellBasell Industries from making payments on the 2015 Notes. However, if LyondellBasell Industries or any of its subsidiaries default on a payment under the Senior Secured Credit Facilities, the ABF Inventory Facility or the Interim Loan, its subsidiaries may not make payments on their guarantees of the 2015 Notes or payments on the High Yield Proceeds Loan unless all such payment defaults have been waived or cured.

*Standstill on Enforcement for 2015 Notes*

At any time following a default under the 2015 Indenture or the 2015 Notes, the trustee under the 2015 Indenture may bring an action to enforce the 2015 Notes or the 2015 Indenture. The Intercreditor Agreement does not restrict enforcement of the 2015 Notes or the 2015 Indenture against LyondellBasell Industries. However, the Intercreditor Agreement does restrict enforcement of the guarantees of the 2015 Notes and of the High Yield Proceeds Loan and any enforcement action in respect of 2015 Collateral.

*Enforcement of Security*

Enforcement action with respect to the collateral may only be taken by the security agent upon instructions of the Senior Agent until all priority indebtedness has been paid in full. After all indebtedness outstanding under the Senior Secured Credit Facilities have been paid in full, enforcement action with respect to the collateral may only be taken by the security agents upon instructions of the Interim Agent for so long as any amounts are outstanding under the Interim Loan, and thereafter the trustees.

**ABF Intercreditor Agreement**

In connection with the closing of the Lyondell acquisition, the Originators, the ABF Borrowers, the Seller, the ABL Agent, the RF Administrative Agent and the Senior Agent entered into an intercreditor agreement dated as of December 20, 2007 (the “ABF Intercreditor Agreement”), addressing the priorities and related rights among (i) the Senior Secured Credit Facilities, the Interim Loan and the 2015 Notes, (ii) the ABF Inventory Facility and (iii) the ABF Receivables Facility. The ABF Intercreditor Agreement sets out the various priorities with respect to receivables, assets and collateral under the ABF Receivables Facility.

**Other Financing**

*Basell Receivables Securitization Programs*

Basell initiated European and North American accounts receivable securitization transactions in connection with Access Industries’ acquisition of Basell in 2005. The European program was amended in connection with the acquisition of Lyondell to increase in size and extend the maturity. The European securitization transaction, as amended, provides for funding of up to €650 million through December 20, 2012 and the North American securitization transaction provides for funding of up to $200 million through July 18, 2010. Receivables generated by certain of LyondellBasell Industries’ operating companies in Europe, on the one hand, and the United States and Canada, on the other, were transferred to bankruptcy remote special purpose entities to support the funding provided by various asset-backed commercial paper vehicles. A minimum of €650 million is available at any in time under these transactions. The transactions cover most of LyondellBasell Industries’ eligible receivables generated in Europe from European customers and in the United States and Canada from U.S. and Canadian customers. LyondellBasell Industries retains responsibility for the collection and administration of receivables subject to these facilities. LyondellBasell Industries does not recognize gains or losses resulting from these securitizations at the time of sale to the bankruptcy-remote entity. LyondellBasell Industries has made representations and warranties customary for securitization transactions, including eligibility characteristics of the receivables and servicing responsibilities, in connection with the securitization of these assets. LyondellBasell Industries is required to comply with covenants related to the conduct of their business and the nature of the receivables sold under the programs. Non-compliance with any of these covenants would constitute an event of default.

At December 31, 2007, an amount of €461 million ($676 million) was funded under the European receivables securitization program and $192 million (€131 million) was funded under the North American program.

*Basell Structured Financing Transaction*

In July 2007, Basell entered into a structured financing transaction with a European bank. In connection with the transaction, Basell Funding issued to BAFB B.V. a special purpose vehicle formed by the bank (“BAFB”), Dutch “certification van aandelen” (“Certificates”) with respect to 50 fixed-return preferred shares issued by Basell Holdings to Basell Funding for a consideration of €1,000 million. The Certificates gave BAFB the right to receive from LyondellBasell Industries dividends and other distributions that Basell Funding receives from Basell Holdings in relation to the preferred shares. LyondellBasell Industries and the European bank further entered into a put and call option agreement with respect to the shares of BAFB whereby at any time at their respective sole discretion either LyondellBasell Industries can call or the European bank can put the shares of BAFB for a purchase price of €1,000 million. As a consequence of this arrangement, LyondellBasell Industries is deemed to control BAFB in accordance with International Reporting Standards and U.S. generally accepted accounting principles. The majority of BAFB’s stock is owned by the European bank, and the European bank acts as its managing director.

LyondellBasell Industries invested the proceeds of the issuance of the Certificates in a pledged deposit bearing interest at floating market rates which were swapped to fixed rate. Exercise of the option on BAFB's shares will trigger the application of the deposit against the exercise price of the option and an unwinding of related financial instruments without inducing breakage costs for LyondellBasell Industries.

**SECTION 5: UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME**

On 16 July 2007, LyondellBasell Industries AF S.C.A. ("LyondellBasell Industries"), formerly Basell AF S.C.A. and Lyondell Chemical Company ("Lyondell") entered into an agreement under which a subsidiary of LyondellBasell Industries purchased all of the outstanding common stock of Lyondell at a price of $48.00 (€ 33.38) per share on 20 December 2007. The acquisition was financed from the proceeds of $11.45 billion (€ 8 billion) new senior secured credit facilities, an $8.0 billion (€ 5.6 billion) bridge facility, and draws from our asset backed facilities. Of the proceeds, $6.3 billion (€4,.4 billion) was used to repay a portion of Lyondell's and LyondellBasell Industries' existing indebtedness and asset-backed facilities.

The unaudited pro forma condensed combined statement of income of LyondellBasell Industries presents the combined results of operations of LyondellBasell Industries as they may have appeared had the acquisition and financing transactions described above occurred as of 1 January 2007. The pro forma condensed combined statement of income presents information from continuing operations.

The unaudited pro forma condensed combined statement of income is provided for illustrative purposes only and does not purport to present what the actual results of operations would have been had the transactions actually occurred on the dates indicated, nor does it purport to represent results of operations for any future period or financial position for any future date. This statement does not reflect any cost savings or other benefits that may be obtained through synergies among the operations of LyondellBasell Industries and Lyondell.

The unaudited pro forma condensed combined statement of income has been derived from and should be read together with the historical consolidated financial statements and notes of LyondellBasell Industries prepared under International Accounting Principles and the historical financial statements of Lyondell, prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), for the year ended 31 December 2007.

Consistent with requirements related to US income taxation, the following unaudited pro forma condensed combined statement of income (with Lyondell inventories on LIFO) is presented with costs of sales of certain inventories of Lyondell reflected in the consolidated pro forma information based on accounting for the costs of those inventories using the LIFO method, which is not allowed under IFRS. Following that presentation is the supplemental unaudited pro forma condensed combined statement of income prepared in accordance with IFRS, including the effect of accounting for inventory costs using the FIFO method, as shown in adjustment (dd).

**LyondellBasell Industries AF S.C.A.**
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME**
**(WITH LYONDELL INVENTORIES ON LIFO)FOR THE YEAR ENDED DECEMBER 31, 2007**
**(in millions)**

| | Lyondell Predecessor through December 20, 2007 In accordance with US GAAP | Pro forma IFRS Adjustments USD | | IFRS Pro forma USD | IFRS Pro forma EURO's Rate used 0.73072 | LyondellBasell 2007 P&L EURO | Pro forma Adjustments EURO | | Consolidated Pro forma 2007 EURO |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | $ 27,674 | $ 3 | (aa) | $ 27,677 | € 20,224 | € 12,473 | € (43) | (a) | € 32,654 |
| Operating costs and expenses | (26,386) | (3) | (aa) | (26,318) | (19,231) | (11,606) | 43 | (a) | (30,968) |
| | | 69 | (bb) | | | | (233) | (b) | |
| | | 2 | (cc) | | | | (66) | (c) | |
| | | | | | | | 6 | (d) | |
| | | | | | | | (42) | (e) | |
| | | | | | | | 46 | (f) | |
| | | | | | | | 115 | (g) | |
| Operating income | 1,288 | 71 | | 1,359 | 993 | 867 | (174) | | 1,686 |
| Interest expense | (614) | (69) | (bb) | (685) | (500) | (346) | 410 | (h) | (1,850) |
| | | (2) | (cc) | | | | (1,414) | (i) | |
| Interest income | 33 | -- | | 33 | 24 | 108 | -- | | 132 |
| Other income (expense), net | (539) | -- | | (539) | (394) | 110 | 432 | (h) | 148 |
| Income before income taxes, associates and joint ventures | 168 | - - | | 168 | 123 | 739 | (746) | | 116 |
| Income from associates and joint ventures | 2 | -- | | 2 | 1 | 118 | -- | | 119 |
| Income from continuing operations before income tax | 170 | - - | | 170 | 124 | 857 | (746) | | 235 |
| (Provision for) benefit from income tax | (86) | - - | | (86) | (63) | (103) | 261 | (j) | 95 |
| Net income from continuing operations | $ 84 | $ - - | | $ 84 | € 61 | € 754 | € (485) | | € 330 |

See notes to Unaudited Pro Forma Condensed Combined Statement of Income.

# LyondellBasell Industries AF S.C.A.
## UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
## FOR THE YEAR ENDED DECEMBER 31, 2007
## (in millions)

| | Lyondell Predecessor through December 20, 2007 In accordance with US GAAP | Pro forma IFRS Adjustments USD | | IFRS Pro forma USD | IFRS Pro forma EURO's Rate used 0.73072 | LyondellBasell 2007 P&L EURO | Pro forma Adjustments EURO | | Consolidated Pro forma 2007 EURO |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | $ 27,674 | $ 3 | (aa) | $ 27,677 | € 20,224 | € 12,473 | € (43) | (a) | € 32,654 |
| Operating costs and expenses | (26,386) | (3) | (aa) | (25,507) | (18,638) | (11,606) | 43 | (a) | (30,375) |
| | | 69 | (bb) | | | | (233) | (b) | |
| | | 2 | (cc) | | | | (66) | (c) | |
| | | 811 | (dd) | | | | 6 | (d) | |
| | | | | | | | (42) | (e) | |
| | | | | | | | 46 | (f) | |
| | | | | | | | 115 | (g) | |
| Operating income | 1,288 | 882 | | 2,170 | 1,586 | 867 | (174) | | 2,279 |
| Interest expense | (614) | (69) | (bb) | (685) | (500) | (346) | 410 | (h) | (1,850) |
| | | (2) | (cc) | | | | (1,414) | (i) | |
| Interest income | 33 | -- | | 33 | 24 | 108 | -- | | 132 |
| Other income (expense), net | (539) | -- | | (539) | (394) | 110 | 432 | (h) | 148 |
| Income before income taxes, associates and joint ventures | 168 | 811 | | 979 | 716 | 739 | (746) | | 709 |
| Income from associates and joint ventures | 2 | -- | | 2 | 1 | 118 | -- | | 119 |
| Income from continuing operations before income tax | 170 | 811 | | 981 | 717 | 857 | (746) | | 828 |
| (Provision for) benefit from income tax | (86) | (284) | | (370) | (270) | (103) | 261 | (j) | (112) |
| Net income from continuing operations | $ 84 | $ 527 | | $ 611 | € 447 | € 754 | € (485) | | € 716 |

See notes to Unaudited Pro Forma Condensed Combined Statement of Income.

**Note 1 – Basis of Pro Forma Presentation**

The unaudited pro forma condensed combined statement income of LyondellBasell Industries is presented for the year ended December 31, 2007. The unaudited pro forma condensed combined statement of income of LyondellBasell Industries applies the group's accounting policies over the pro forma period.

This statement reflects borrowings under the new $2.0 billion Term Loan A at LIBOR plus 3.0%, the $9.45 billion (€6.6 billion) Term Loan B at LIBOR plus 3.25%, the $8.0 billion (€5.6 billion) bridge facility at LIBOR plus 4.625%, and draws of the $1.15 billion (€0.8 billion) accounts receivable securitization facility at LIBOR plus 1.5%, to finance the acquisition. In addition, this statement reflects fees of 0.75% related to the $1.0 billion (€0.7 billion) revolving credit facility, and 0.35% under the commitment related to the $1.0 billion (€0.7 billion) inventory securitization facility. Any unused portion of the accounts receivable securitization facility would have borne a fee of 0.25% of the unused available amount. Pro forma interest expense has been determined based on an assumed LIBOR of 4.9%.

No amounts have been included in the purchase price allocation for estimated costs to be incurred to achieve savings or other benefits of the transactions. Similarly, the pro forma statement of income does not reflect any cost savings or other benefits that may be obtained through synergies among the operations of LyondellBasell Industries and Lyondell. The unaudited pro forma condensed combined statement of income does not include the pro forma effect of the acquisition of one of Shell's refineries and related business in France that was completed on April 1, 2008.

The US dollar pro forma IFRS amounts for the period 1 January 2007 to 20 December 2007 have been translated using the convenience method at an exchange rate of 0.73072 per US dollar.

**Note 2 — Pro forma adjustments**

The unaudited pro forma condensed combined statement of income has been prepared to reflect the acquisition of Lyondell by LyondellBasell Industries and the related financing as if it had occurred 1 January 2007. Pro forma adjustments and adjustments to conform accounting principles included in the unaudited pro forma condensed combined statement of income are as follows:

(a) To eliminate sales between LyondellBasell Industries and Lyondell and the related cost of sales. The changes during the year ended 31 December 2007 in related profit in ending inventory was not material.

(b) To adjust depreciation expense on Lyondell plant, property and equipment and investments in PO joint ventures based upon the values assigned in LyondellBasell Industries' accounting for the purchase of Lyondell, reflecting an estimated average remaining useful life of 17 years.

(c) To adjust amortization expense for Lyondell's separately identifiable intangible assets, other than goodwill, based upon the values assigned in LyondellBasell Industries' accounting for the purchase of Lyondell, reflecting the average estimated useful life of 9 years.

(d) To eliminate amortization of deferred pension gains and losses.

(e) To eliminate the cost associated with the historical accounts receivable securitization program and to add the cost of the new accounts receivable securitization program.

(f) To eliminate expensed acquisition and financing costs.

(g) To eliminate change-of-control costs as a result of the acquisition.

(h) To eliminate LyondellBasell Industries' and Lyondell's historical long-term debt-related debt issuance costs at the time of the acquisition and the related interest expense, prepayment penalties and other charges.

(i) To recognize pro forma interest expense and debt issuance cost amortization expense for new debt issued to finance the acquisition. The impact of an increase in the LIBOR rate of 1/8 of 1% would be to increase pro forma interest expense by approximately €18 million for the year ended 31 December 2007.

(j) To reflect the deferred income tax effect related to the net pro forma adjustments, using the statutory rate for the relevant jurisdictions, which is approximately 35%. LyondellBasell Industries' actual effective tax rate may vary significantly from this estimate, depending upon the relative earnings and deductions in the various tax jurisdictions.

(aa) To recognize amortization of the fair value of emission allowance granted by governments. The revenue includes the amortization of the deferred income recognized at the time of the grant as a result of the difference between fair value and the amount paid for the allowance granted.

(bb) To reclassify the cost of the accounts receivable securitization program to interest expense.

(cc) To reclassify the interest expense and return on plan assets portions of the net periodic pension and post retirement expense to interest expense.

(dd) To adjust the cost of sales of inventories from the last-in-first-out method of accounting to the first-in-first-out method

## SECTION 6: CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of LyondellBasell Industries as of and for the year ended December 31, 2007 may be found on LyondellBasell Industries' website: www.lyondellbasell.com.

## SECTION 7: LYONDELLBASELL INDUSTRIES AF S.C.A. - UNAUDITED SUPPLEMENTAL INFORMATION ON THE GUARANTORS

LyondellBasell Industries AF S.C.A. ("the Issuer", previously named Basell AF S.C.A.), organized on 20 April 2005 under the laws of the Grand Duchy of Luxembourg, issued on 10 August 2005 $615 million and €500 million principal amount of 8⅜% Senior Notes due 2015.

The Issuer owns directly or indirectly subsidiaries, associates and joint ventures. The consolidated financial statements of the Issuer have been prepared using International Financial Reporting Standards ("IFRS") for the period 1 January 2007 through 31 December 2007 and the comparative period 1 January 2006 through 31 December 2006.

The information is presented for [a] the Guarantors and [b] the Non-Guarantors, in each case on a consolidated basis, [c] the Issuer, [d] Eliminations and the consolidated total.

For the period 1 January through 31 December 2007 (Total Revenue and EBITDA) or balance at 31 December 2007 (Total Assets) were as follows:

| € millions | Guarantors[3) |  | Non-Guarantors |  | Issuer |  | Eliminations[4) | Consolidated Total |
|---|---|---|---|---|---|---|---|---|
| Total Revenue | 11,494 | 89.62% | 3,744 | 29.19% | 0 | 0.00% | (2,413) | 12,825 |
| EBITDA[1) | 756 | 55.28% | 504 | 36.82% | 115 | 8.41% | (7) | 1,368 |
| Total Assets[2) | 19,553 | 69.81% | 13,160 | 46.98% | 1,023 | 3.65% | (5,726) | 28,010 |

For the period 1 January through 31 December 2006 (Total Revenue and EBITDA) or balance at 31 December 2006 (Total Assets) were as follows:

| € millions | Guarantors[3) |  | Non-Guarantors |  | Issuer |  | Eliminations[4) | Consolidated Total |
|---|---|---|---|---|---|---|---|---|
| Total Revenue | 6,175 | 58.8% | 7,843 | 74.7% | 0 | 0.00% | (3,523) | 10,495 |
| EBITDA[1) | 589 | 57.2% | 450 | 43.7% | (1) | (0.1%) | (8) | 1,030 |
| Total Assets[2) | 5,010 | 67.5% | 5,469 | 73.6% | 998 | 13.4% | (4,050) | 7,427 |

1) EBITDA is in alignment with Basell's internal definition in order to be consistent with other reporting and represents the Operating Profit Before Financing Costs as per the Issuer's Consolidated Financial Statements adjusted by adding back Depreciation, Amortisation and Impairment Losses. Per the Consolidated EBITDA definition used in the Indenture the Guarantors in aggregate represent greater than 50% of 2007 Consolidated Total EBITDA. The key differences between EBITDA and Consolidated EBITDA are that the latter includes a) Dividends from associates and joint ventures, b) financial revenues and c) excludes any disposal gains and losses and any extraordinary or non recurring gains and losses.

2) Total Assets represents the Total Assets per the Issuer's Consolidated Financial Statements, excluding Investments in Subsidiaries.

3) The subsidiaries of the Issuer that have provided guarantees for the obligations of the Issuer under the High Yield Notes are listed in the attachment

4) In Europe, North America and Asia-Pacific, external sales are primarily channelled through dedicated selling companies. Manufacturing companies sell the majority of their production intercompany to these selling companies. Due to this high level of intercompany transactions, large amounts are shown in Eliminations.

## GUARANTORS

**LyondellBasell Industries AF S.C.A.**
- **Basell Funding S.àr.l.**
  - **LyondellBasell Finance Company LLC**
    - LBI Acquisition LLC
    - Nell Acquisition (US) LLC
    - Basell Finance USA Inc.
    - Basell North America Inc.
    - Basell USA Inc.
    - LBIH LLC

    **Basell U.S. Subsidiaries**

      - Lyondell Chemical Company (formerly BIL Acquisition Holdings Limited)
        - Lyondell LP3 GP, LLC
        - Lyondell LP3 Partners, LP
        - Lyondell LP4 Inc.
        - Lyondell (Pelican) Petrochemical L.P.1, Inc.
        - Lyondell Petrochemical L.P. Inc.
        - Lyondell Refining Company LLC
        - Lyondell Chemical Nederland, Ltd.
        - Lyondell Chemical Technology 1 Inc.
        - Lyondell Chemical Technology, L.P.
        - Lyondell Chemical Technology Management, Inc.
        - Lyondell Equistar Holdings Partners (50%)
        - Lyondell Europe Holdings Inc.
        - Lyondell Chemical Products Europe LLC
        - Lyondell Chimie France LLC
        - Lyondell Houston Refinery Inc.
        - Lyondell Refining I LLC

        **Lyondell Chemical Co.**
        **(excluding Equistar & Millennium)**

          - **Houston Refining LP**
        - Equistar Chemicals, LP (79%)
          - Lyondell Equistar Holdings Partners (50%)

        **Equistar Chemicals L.P. (79%)**

        - Millennium Chemicals Inc.
          - Millennium Worldwide Holdings I Inc.
          - Millennium America Holdings Inc.
          - Millennium America Inc.
          - Millennium US Op Co, LLC
          - Millennium Petrochemicals Inc.
          - Millennium Petrochemicals Partners, LP
          - Millennium Petrochemicals GP LLC
          - Millennium Specialty Chemicals Inc.

        **Millennium Chemicals Inc.**

          - Equistar Chemicals, LP (21%)
            - Lyondell Equistar Holdings Partners (50%)

        **Equistar Chemicals L.P. (21%)**

**GUARANTORS**

**LyondellBasell Industries AF S.C.A.**
- **Basell Funding S.ár.l.**
  - **Basell Holdings B.V.**
    - **Basell Finance Company B.V.**
    - **LyondellBasell Netherlands Holdings B.V.**
    - **Basell Germany Holdings GmbH**
      - Basell Polyolefine GmbH (90%)
      - Basell Bayreuth Chemie GmbH (94%)
    - Basell Polyolefine GmbH (10%)
    - Basell Canada Inc.
    - Basell Finance & Trading Company B.V.
    - Basell Sales & Marketing Company B.V.
    - Basell International Holdings B.V.
    - Basell Asia Pacific Limited
    - Basell Europe Holdings B.V.
    - Basell UK Holdings Limited
    - Basell Polyolefins UK Limited
    - Lyondell Chemie International B.V. (New Guarantor)
    - Lyondell Chemie Nederland B.V. (New Guarantor)
    - Basell Benelux B.V. (New Guarantor)

**Basell Non-U.S. Subsidiaries**

## SECTION 8: SECURITY OWNERSHIP

LyondellBasell Industries is controlled by the Access Group, a privately held, U.S.-based industrial group, of which Leonard Blavatnik is the principal shareholder. All of LyondellBasell Industries' outstanding shares are owned, directly or indirectly, by BI S.à r.l. All of the shares of BI S.à r.l. are held indirectly through a Delaware limited liability company. AI Petrochemicals LLC, which is a member of the Access Group, owns approximately 97% of the equity interests in such limited liability company. Accordingly, the Access Group and Mr. Blavatnik may be deemed to indirectly have voting or dispositive control over 100% of the outstanding shares of LyondellBasell Industries. The address of the Access Group is 730 Fifth Avenue, 20th Floor, New York, New York 10019. The remaining equity interests in the limited liability company are owned indirectly by certain members of executive management of LyondellBasell Industries and members of the executive management of the Access Group and professionals who work for LyondellBasell Industries and the Access Group, but these individuals do not have voting or dispositive control over any shares of LyondellBasell Industries.

## SECTION 9: MANAGEMENT

### Overview

LyondellBasell Industries is managed at the corporate level by the Management Board of LyondellBasell AFGP S.à r.l., a wholly-owned subsidiary of BI S.à r.l., acting in its capacity as Manager of LyondellBasell Industries. The Manager of LyondellBasell Industries is supervised by a non-executive Supervisory Board of LyondellBasell Industries AF S.C.A. The Management Board consists of eight members, all of whom are officers of LyondellBasell Industries. The Management Board oversees LyondellBasell Industries' operating units and corporate support functions and is responsible for its attainment of business objectives.

LyondellBasell Industries' Supervisory Board consists of six members appointed by its shareholders. The Supervisory Board's main tasks are supervising the policies of the Manager and the general state of affairs and operations of LyondellBasell Industries and its subsidiaries as a whole. Additionally, the Supervisory Board advises the Management Board. The Management Board is required to seek the approval of the Supervisory Board on a number of important issues, including the review and approval of the annual business plans, major investments, financing and LyondellBasell Industries' business and HSE principles.

### Management Board

The table below sets out the names of the members of the Management Board and their positions with LyondellBasell Industries as of April 1, 2008.

| Name, Age and Present Position with LyondellBasell Industries | Business Experience During Past Five Years and Period Served as Officer(s) |
|---|---|
| Volker Trautz, 63........................................<br>Chief Executive Officer | Mr. Trautz serves as the Chief Executive Officer of LyondellBasell Industries and has served as such since Basell's formation in October 2000. From 1995 to 2000, he was a member of the Board of Executive Directors of BASF responsible for all polymers, including engineering resins, PVC and polyurethanes, and for BASF's activities in Asia. From 1991 to 1995 Mr. Trautz was President of BASF's consumer products division. Prior to that, from the start of his career with BASF in 1974, Mr. Trautz served in a number of management positions with BASF, including fourteen years in South America. |

| Name, Age and Present **Position with LyondellBasell Industries** | Business Experience During Past **Five Years and Period Served as Officer(s)** |
|---|---|
| Alan Bigman, 40 Executive Vice President and Chief Financial Officer | Mr. Bigman was appointed Executive Vice President and Chief Financial Officer of LyondellBasell Industries effective December 20, 2007. Prior to this, Mr. Bigman held the position of Chief Financial Officer of Basell since January 2006. Mr. Bigman was Senior Vice President for Access Industries from 2004 until 2006, with responsibility for managing the financing activities of Access Industries and for the strategic management of major Access Industries' assets. From 1998 to 2004, he served in several Access Industries portfolio companies, including the positions of Director of Corporate Finance at Tyumen Oil Company in Moscow and Vice President, Finance at SUAL in Moscow. Mr. Bigman originally joined Access Industries in 1996 as Vice President, U.S. and International Investments. |
| Morris Gelb, 61 Executive Vice President, Office of the CEO | Mr. Gelb was appointed Executive Vice President of LyondellBasell Industries effective December 20, 2007. Prior to this, Mr. Gelb held the position of Executive Vice President and Chief Operating Officer of Lyondell Chemical Company since December 1998. Previously, he served as Senior Vice President, Manufacturing, Process Development and Engineering of Lyondell Chemical Company from July 1998 to December 1998. He was named Vice President for Research and Engineering of ARCO Chemical in 1986 and Senior Vice President of ARCO Chemical in July 1997. |
| Anton de Vries, 56 President, Polymers Division | Mr. de Vries was appointed President, Polymers Division of LyondellBasell Industries effective December 20, 2007. Prior to this, he served as President of Basell's Polyolefins Europe division since March 2007. Prior to this, he was President of Advanced Polyolefins since July 2005, President of research and development from July 2002 to July 2005 and a Senior Vice President for product and application development in Germany. Prior to joining Basell, Mr. de Vries served as head of Montell's European R&D organization after serving in its strategy group beginning in 1995. From 1977 to 1995, he served in positions with Shell and Ward Blenkinsop. |
| Edward J. Dineen, 53 President, Chemicals Division | Mr. Dineen was appointed President, Chemicals Division of LyondellBasell Industries effective December 20, 2007. Prior to this, Mr. Dineen held the position of Senior Vice President, Chemicals and Polymers of Lyondell Chemical Company since May 2002. Mr. Dineen served as Senior Vice President, Intermediates and Performance Chemicals of Lyondell from May 2000 until May 2002. Prior to this position, he served as Senior Vice President, Urethanes and Performance Chemicals of Lyondell Chemical Company since July 1998. He served as Vice President, Performance Products and Development for ARCO Chemical beginning in June 1997, and served as Vice President, Planning and Control for ARCO Chemical European Operations from 1993 until his appointment as Vice President, Worldwide CoProducts and Raw Materials in 1995. Mr. Dineen is also a member of the Board of Spartech Corporation. |

| Name, Age and Present **Position with LyondellBasell Industries** | Business Experience During Past **Five Years and Period Served as Officer(s)** |
|---|---|
| W. Norman Phillips, Jr., 53 ........................ President, Fuels Division | Mr. Phillips was appointed President, Fuels Division of LyondellBasell Industries effective December 20, 2007. Prior to this, Mr. Phillips held the position of Senior Vice President, Fuels and Pipelines of Lyondell Chemical Company from August 2006 to December 2007 and Senior Vice President, Fuels and Raw Materials of Lyondell Chemical Company from 2002 until 2006. Mr. Phillips was Senior Vice President, Polymers of Equistar Chemicals, LP (which was then a joint venture of Lyondell) from 1998 to 2002. He was previously Vice President, Petrochemicals of Equistar Chemicals, LP from December 1997 to August 1998. Mr. Phillips also has served as Senior Vice President of Lyondell Chemical Company since October 2000. He previously served as Vice President, Polymers of Lyondell from January 1997 to December 1997, and as Vice President of Lyondell with responsibilities in the areas of marketing and operations from 1993 to January 1997. |
| C. Bart de Jong, 50 ..................................... Senior Vice President, Human Resources | Mr. de Jong was appointed Senior Vice President, Human Resources of LyondellBasell Industries effective December 20, 2007. Prior to this, Mr. de Jong held the position of Vice President, Technology of Lyondell Chemical Company since May 2007 and Vice President of Lyondell Chemical Company responsible for Lyondell's inorganic chemicals business from December 2004 until May 2007. From May 2002 until December 2004, Mr. de Jong served as Vice President, Corporate Development of Lyondell Chemical Company. Prior thereto, Mr. de Jong served as Director, Business Analysis & Planning. Prior to joining Lyondell Chemical Company in 2001 as Director, Business Analysis & Planning, Mr. de Jong was Chief Financial Officer of eLink Commerce, Inc., an early stage information technology company. From 1995 to 2000, he held a variety of finance and business development positions with ARCO, including Vice President, Finance in ARCO's corporate headquarters in Los Angeles. |
| Cees Los, 51 ............................................... Senior Vice President and General Counsel | Mr. Los was appointed Senior Vice President, General Counsel of LyondellBasell Industries effective December 20, 2007. Prior to this, Mr. Los held the position of General Counsel of Basell since October 2000. From 1998 until 2000, Mr. Los held the position of head of the legal department of Elenac, a joint venture of Shell and BASF and one of the predecessor companies of Basell. Mr. Los originally joined Shell in 1984 as a member of the corporate legal department. From 1988 until 1991, Mr. Los was Manager of Legal Affairs to IBIS (a biotechnology joint venture partly owned by Shell); from 1991 until 1995 he was Senior Legal Advisor for Shell Japan and Showa Shell (a joint venture of Shell in Japan); and from 1995 until 1998, he was Corporate Planning Manager for Shell Netherlands. |

**Supervisory Board**

The table below sets out the names of the members of the Supervisory Board as of April 1, 2008. To assist in the execution of its tasks, the Supervisory Board has established a finance and investment committee comprising Mr. Kassin, Mr. Floor, Mr. Coleman and Mr. Benet, chaired by Mr. Kassin, an audit committee, comprising Mr. Potter, Mr. Floor and Mr. Kassin, chaired by Mr. Potter, and a remuneration committee, comprising Mr. Floor, Mr. Coleman and Mr. Benet, chaired by Mr. Floor. The Supervisory Board was formed, and all members appointed, on December 20, 2007, except for Mr. Coleman who has been a member since March 12, 2008.

| Name and Age | Business Experience During Past Five Years and Period Served as Board Member |
|---|---|
| Len Blavatnik, 50 | Mr. Blavatnik is the founder and Chairman of Access Industries, a privately-held industrial group with strategic investments in the U.S., Europe and South America, a position he has held since 1986. Mr. Blavatnik serves as a director of numerous companies in the Access portfolio including TNK-BP (a vertically integrated oil major) and UC RUSAL (currently the largest vertically integrated aluminum producer in the world). Mr. Blavatnik remains engaged in educational pursuits and, in addition to corporate directorships, sits on the boards of numerous academic and philanthropic organizations. |
| Phillip Kassin, 50 | Mr. Kassin is Executive Vice President and Head of M&A and Financing of Access Industries. Prior to joining Access, Mr. Kassin was the President of Greenwich Energy Advisors, Ltd., a financial advisory firm focusing on petrochemical and energy asset acquisitions, divestitures and restructurings, and served as financial advisor to Access on the acquisition of Basell in 2005. Mr. Kassin has over 25 years of investment banking and capital markets experience serving in a variety of roles at Morgan Stanley, Merrill Lynch, Goldman Sachs and AIG Financial Products Corp. He was also a partner at PricewaterhouseCoopers, where he was responsible for its energy M&A consulting practice and a utilities analyst at Standard & Poor's. |
| Richard E. Floor, 67 | Mr. Floor has been a partner in the law firm of Goodwin Procter LLP, specializing in corporate finance, leveraged buyouts, venture capital and investment management, since 1975. He is currently a director of New America High Income Fund and Affiliated Managers Group, Inc., both listed on the NYSE, and is a former director of Altamira Investment Services, Inc. and Delta Life Insurance. |
| C. Kent Potter, 61 | Mr. Potter is currently a consultant in the petrochemicals sector. He was formerly the Chief Financial Officer of TNK-BP, Russia's second largest oil company. Mr. Potter was previously Senior Vice President and Chief Financial Officer for Chevron Phillips Chemical Company (a major producer of polyolefins) from 2000 to July 2003 and served as a member of Chevron Phillips Chemical Company's Board of Directors. In his 27 years with Chevron, Mr. Potter held financial management positions in all areas of Chevron's operations. These included Finance Director for Chevron's North Sea operations, CFO of Chevron's mining company, CFO of Tengizchevroil in Kazakhstan and CFO of Chevron Overseas Petroleum. |
| Lincoln Benet, 44 | Mr. Benet is Chief Executive Officer of Access Industries. Prior to joining Access, Mr. Benet was a Managing Director at Morgan Stanley, where he spent 17 years. His experience spanned corporate finance, mergers and acquisitions, fixed income and capital markets. While at Morgan Stanley, Mr. Benet led the launch of the first European Collateralized Debt Obligation and developed derivatives instruments for the European credit market. Mr. Benet also sits on the board of Acision, a company specializing in messaging solutions for mobile operations worldwide. |

| Name and Age | Business Experience During Past Five Years and Period Served as Board Member |
|---|---|
| Lynn Coleman, 68 | Mr. Coleman was a partner in the energy practice of the law firm of Skadden, Arps, Slate, Meagher and Flom LLP from 1981 until 2007. Prior to joining Skadden, Mr. Coleman served as the general counsel of the U.S. Department of Energy and later as deputy secretary. He also serves as a director of Key Energy Services, Inc. |

The address of each member of the Supervisory Board is c/o Basell AF, 15-17 Avenue Gaston Diderich, L-1420 Luxembourg.

**Executive Compensation**

Senior management will be compensated on the basis of a fixed salary plus a bonus based on financial and qualitative performance objectives. In addition, they will receive medium-term incentive pay based on a rolling three-year performance cycle. Senior management also may receive equity linked (with regard to equity of a subsidiary of Access Industries) long-term compensation vesting after three years.

## SECTION 10: RELATED PARTY TRANSACTIONS

LyondellBasell Industries and its subsidiaries have engaged in related party transactions with members of the Access Group. See "Security Ownership."

**Management Agreements**

On August 1, 2005, Nell AF S. à.r.l. and its affiliates, predecessors of LyondellBasell Industries, entered into a management agreement with AI Petrochemicals LLC, a member of the Access Group, as manager, to provide consulting and management advisory services in connection with the acquisition of Basell by the Access Group. Management fees paid to AI Petrochemicals LLC under this agreement were €2.5 million for the year ended December 31, 2007 and €5 million for the year ended December 31, 2006.

On December 11, 2007, in connection with the Lyondell acquisition, AI Petrochemicals LLC terminated the existing 2005 management agreement and entered into a new agreement with Nell Limited, a member of the Access Group (the "Manager"), to provide consulting and management advisory services to LyondellBasell Industries (the "New Management Agreement"). Pursuant to the New Management Agreement, the Manager will provide LyondellBasell Industries with certain consulting and management advisory services in connection with (i) the negotiation and consummation of financing transactions, (ii) financial, managerial and operational advice in connection with the integration of Lyondell and the day-to-day operations of LyondellBasell Industries, and (iii) other services, which may include financial and strategic planning and analysis, consulting services, human resources and executive recruitment services, upon which the parties may from time to time agree.

During the term of the New Management Agreement, LyondellBasell Industries will pay to the Manager an aggregate annual fee of $25 million (the "Periodic Fee"), payable quarterly in advance, for the ongoing services to be provided by the Manager under the New Management Agreement; provided that (i) in any fiscal year in which the Consolidated EBITDA (as defined in the Senior Secured Credit Facilities) of LyondellBasell Industries is in excess of $6 billion, the Periodic Fee will be $30 million; and (ii) the Periodic Fee will not be payable to the Manager during any quarterly period in which LyondellBasell Industries or any of its affiliates, subsidiaries or joint ventures (collectively, the "LyondellBasell Industries Group") is in default of a covenant or payment obligation under any material indebtedness of the LyondellBasell Industries Group. For the year ended December 31, 2007, LyondellBasell Industries paid fees under the New Management Agreement of $125 million (€88 million), consisting of a one-time $100 million (€70 million) financial advisory fee paid to the Manager upon closing of the Lyondell acquisition plus the $25 million (€18 million) Periodic Fee for 2007.

During the term of the New Management Agreement, the Manager will advise LyondellBasell Industries in connection with financing, acquisition and disposition transactions, and LyondellBasell Industries will pay to the Manager a fee in connection with each such transaction in an amount as determined in good faith as reasonable and appropriate by LyondellBasell Industries (the "Subsequent Fee"). LyondellBasell Industries has also agreed to pay to the Manager a fee (the "IPO Fee"), upon the consummation of any initial public offering of LyondellBasell Industries yielding proceeds of not less than $500 million, equal to five times the aggregate amount of the Periodic Fee paid to the Manager by LyondellBasell Industries in the prior four quarterly periods. In addition, LyondellBasell Industries has agreed to reimburse all reasonable expenses incurred by the Manager (including fees owed to its legal, business or accounting advisors) in connection with the New Management Agreement, the financing for the Lyondell acquisition and related transactions, as well as any and all advisory services provided to the Basell Group by AI Petrochemicals LLC in 2006 pursuant to the 2005 management agreement.

The New Management Agreement will remain in effect until December 31, 2012, unless earlier terminated at any time by the Manager, with automatic one-year renewal periods thereafter; provided that in the event of a payment default under any material indebtedness of the LyondellBasell Industries Group, LyondellBasell Industries may cause the New Management Agreement to terminate. In addition, the Manager may cause the New Management Agreement to terminate at any time.

LyondellBasell Industries will indemnify the Manager from and against all liabilities incurred by the Manager in connection with the New Management Agreement, the Lyondell acquisition and related transactions, other than those liabilities arising from the Manager's willful misconduct or gross negligence. The Manager will act as an independent contractor, and the New Management Agreement contains provisions relating to the Manager's freedom to pursue opportunities and disclaimers of any legal duties owed by the Manager to LyondellBasell Industries.

**Tax Sharing Agreement**

On December 18, 2007, Basell and certain of its subsidiaries entered into a Tax Sharing Agreement (the "Tax Sharing Agreement") with Nell Limited, a member of the Access Group. Pursuant to the Tax Sharing Agreement, Nell Limited will be entitled to cash payments from LyondellBasell Industries of up to 17.5% of net operating loss carryovers ("NOLs") which arose in taxable years ending prior to 2007 that are hereafter used by LyondellBasell Industries' Dutch or French subsidiaries, up to a maximum amount of €119 million ($175 million), provided that such payments will be used by an indirect U.S. taxpayer shareholder to pay taxes associated with the taxable income of LyondellBasell Industries.

**Access Credit Facility**

On March 27, 2008, LyondellBasell Industries, Lyondell and Basell Finance entered into a senior unsecured $750 million, eighteen-month revolving credit facility with Access Industries Holdings LLC, a member of the Access Group, as lender. See "Description of Indebtedness—Access Credit Facility."

**Acquisition of Shares in Lyondell owned by Access Affiliate**

On May 4, 2007, AI Chemical Investments LLC, a member of the Access Group, entered into a postpaid shares forward agreement with Merrill Lynch & Co. in relation to 20,990,070 shares of common stock of Lyondell at $32.113 per share. On August 20, 2007, AI Chemical Investments LLC acquired in open market purchases an additional 3,971,400 shares of common stock of Lyondell at $44.21 per share, for an aggregate consideration of €130 million ($176 million). Those shares of common stock were acquired by Basell concurrently with the Lyondell acquisition for the merger consideration of $48.00 per share less the assumed related margin loan.