

Information Related to Financial Measures



This presentation makes reference to certain “non-GAAP” financial measures as defined in Regulation G of the U.S. Securities Exchange Act of 1934, as amended. The non-GAAP measures we have presented include income from continuing operations excluding LCM, diluted earnings per share excluding LCM, EBITDA and EBITDA excluding LCM. LCM stands for “lower of cost or market,” which is an accounting rule consistent with GAAP related to the valuation of inventory. Our inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out (“LIFO”) inventory valuation methodology, which means that the most recently incurred costs are charged to cost of sales and inventories are valued at the earliest acquisition costs. Market is determined based on an assessment of the current estimated replacement cost and selling price of the inventory. In periods where the market price of our inventory declines substantially, cost values of inventory may be higher than the market value, which results in us writing down the value of inventory to market value in accordance with the LCM rule, consistent with GAAP. This adjustment is related to our use of LIFO accounting and the decline in pricing for many of our raw material and finished goods inventories. We report our financial results in accordance with U.S. generally accepted accounting principles, but believe that certain non-GAAP financial measures, such as EBITDA and earnings and EBITDA excluding LCM, provide useful supplemental information to investors regarding the underlying business trends and performance of the company's ongoing operations and are useful for period-over-period comparisons of such operations. Non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, the financial measures prepared in accordance with GAAP. Diluted earnings per share excluding LCM may reflect further adjustments due to non-recurring or out-of period adjustments such as a pension settlement charge, out-of-period tax adjustment, and gain on the sale of our Argentine subsidiary. Presentation of this adjusted EPS measure may assist investors in an understanding of our current business operations and condition.

EBITDA, as presented herein, may not be comparable to a similarly titled measure reported by other companies due to differences in the way the measure is calculated. We calculate EBITDA as income from continuing operations plus interest expense (net), provision for (benefit from) income taxes, and depreciation & amortization. EBITDA should not be considered an alternative to profit or operating profit for any period as an indicator of our performance, or as an alternative to operating cash flows as a measure of our liquidity. We have also presented financial information herein exclusive of adjustments for LCM.

While we also believe that free cash flow (FCF) and free cash flow yield (FCF Yield) are measures commonly used by investors, free cash flow and free cash flow yield, as presented herein, may not be comparable to similarly titled measures reported by other companies due to differences in the way the measures are calculated. For purposes of this presentation, free cash flow means net cash provided by operating activities minus capital expenditures and free cash flow yield means the ratio of free cash flow to market capitalization.

Reconciliations for our non-GAAP measures can be found on our website at www.lyb.com/investorrelations

Reconciliation of EBITDA Excluding LCM Adjustments to EBITDA

In Millions of Dollars	Three Months Ended					Three Months Ended				
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	2016
EBITDA Excluding LCM Adjustments:										
Olefins & Polyolefins - Americas	\$ 1,074	\$ 993	\$ 920	\$ 834	\$ 3,821	\$ 878	\$ 754	\$ 682	\$ 592	\$ 2,906
Olefins & Polyolefins - EAI	357	492	555	451	1,855	549	536	584	398	2,067
Intermediates & Derivatives	381	483	506	286	1,656	354	369	304	306	1,333
Refining	154	154	143	68	519	14	(13)	(10)	81	72
Technology	76	57	45	65	243	83	73	45	61	262
Other	2	(2)	13	(26)	(13)	(3)	(4)	1	(3)	(9)
Total	2,044	2,177	2,182	1,678	8,081	1,875	1,715	1,606	1,435	6,631
Less:										
LCM Adjustments:										
Olefins & Polyolefins - Americas	43	(21)	79	59	160	-	-	-	29	29
Olefins & Polyolefins - EAI	-	-	6	24	30	40	(40)	-	-	-
Intermediates & Derivatives	44	17	46	74	181	28	(28)	-	-	-
Refining	5	(5)	50	127	177	-	-	-	-	-
Technology	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	92	(9)	181	284	548	68	(68)	-	29	29
EBITDA:										
Olefins & Polyolefins - Americas	1,031	1,014	841	775	3,661	878	754	682	563	2,877
Olefins & Polyolefins - EAI	357	492	549	427	1,825	509	576	584	398	2,067
Intermediates & Derivatives	337	466	460	212	1,475	326	397	304	306	1,333
Refining	149	159	93	(59)	342	14	(13)	(10)	81	72
Technology	76	57	45	65	243	83	73	45	61	262
Other	2	(2)	13	(26)	(13)	(3)	(4)	1	(3)	(9)
Total	\$ 1,952	\$ 2,186	\$ 2,001	\$ 1,394	\$ 7,533	\$ 1,807	\$ 1,783	\$ 1,606	\$ 1,406	\$ 6,602

Reconciliation of Net Income To EBITDA

In Millions of Dollars	Three Months Ended					Three Months Ended				
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2015	2016
Net Income	\$ 1,164	\$ 1,329	\$ 1,186	\$ 795	\$ 4,474	\$ 1,030	\$ 1,091	\$ 953	\$ 763	\$ 3,837
(Income) Loss from Discontinued Operations	3	(3)	3	2	5	-	1	2	7	10
LCM Adjustments, After Tax	58	(6)	114	185	351	47	(47)	-	18	18
Income from Continuing Operations Excluding LCM Adjustments	1,225	1,320	1,303	982	4,830	1,077	1,045	955	788	3,865
Less:										
LCM Adjustments, After Tax	(58)	6	(114)	(185)	(351)	(47)	47	-	(18)	(18)
Income from Continuing Operations	1,167	1,326	1,189	797	4,479	1,030	1,092	955	770	3,847
Provision for Income Taxes	440	541	487	262	1,730	432	346	326	282	1,386
Depreciation and Amortization	287	247	248	265	1,047	268	266	257	273	1,064
Interest expense, net	58	72	77	70	277	77	79	68	81	305
LCM Adjustments, Pre Tax	92	(9)	181	284	548	68	(68)	-	29	29
EBITDA Excluding LCM Adjustments	2,044	2,177	2,182	1,678	8,081	1,875	1,715	1,606	1,435	6,631
LCM Adjustments, Pre Tax	(92)	9	(181)	(284)	(548)	(68)	68	-	(29)	(29)
EBITDA	<u>\$ 1,952</u>	<u>\$ 2,186</u>	<u>\$ 2,001</u>	<u>\$ 1,394</u>	<u>\$ 7,533</u>	<u>\$ 1,807</u>	<u>\$ 1,783</u>	<u>\$ 1,606</u>	<u>\$ 1,406</u>	<u>\$ 6,602</u>

Reconciliation of Diluted EPS from Continuing Operations Excluding LCM Adjustments to Diluted EPS

	Three Months Ended				2015	Three Months Ended				2016
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015		March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	
Diluted Earnings Per Share from Continuing Operations										
Excluding LCM Adjustments	\$ 2.54	\$ 2.79	\$ 2.80	\$ 2.20	\$ 10.35	\$ 2.48	\$ 2.45	\$ 2.31	\$ 1.94	\$ 9.20
Less:										
LCM Adjustments	0.12	(0.02)	0.25	0.42	0.75	0.11	(0.11)	-	0.05	0.05
Diluted Earnings Per Share	<u>\$ 2.42</u>	<u>\$ 2.81</u>	<u>\$ 2.55</u>	<u>\$ 1.78</u>	<u>\$ 9.60</u>	<u>\$ 2.37</u>	<u>\$ 2.56</u>	<u>\$ 2.31</u>	<u>\$ 1.89</u>	<u>\$ 9.15</u>

Items Impacting Diluted EPS

	Three Months	Year Ended
	Ended December 31, 2016	December 31, 2016
Diluted Earnings Per Share from Continuing Operations	\$ 1.89	\$ 9.15
Impact of Items Highlighted in Earnings Release:		
LCM Inventory Valuation Adjustment	(0.05)	(0.05)
Pension Settlement Charge	(0.09)	(0.09)
Out of Period Tax Adjustment	(0.15)	(0.17)
Gain on Sale of Wholly Owned Argentine Subsidiary	-	0.19
	<u>(0.29)</u>	<u>(0.12)</u>
Diluted Earnings Per Share Excluding LCM Adjustment and Nonrecurring Items	<u>\$ 2.18</u>	<u>\$ 9.27</u>

Reconciliation of Operating Income Excluding LCM Adjustments to Operating Income

<u>In Millions of Dollars</u>	<u>Three Months Ended</u>				<u>2015</u>	<u>Three Months Ended</u>				<u>2016</u>
	<u>March 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>	<u>September 30,</u> <u>2015</u>	<u>December 31,</u> <u>2015</u>		<u>March 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2016</u>	
Operating Income Excluding LCM	\$ 1,667	\$ 1,836	\$ 1,831	\$ 1,336	\$ 6,670	\$ 1,428	\$ 1,335	\$ 1,249	\$ 1,077	\$ 5,089
Less:										
LCM Inventory Valuation Adjustment	92	(9)	181	284	548	68	(68)	-	29	29
Operating Income	<u>\$ 1,575</u>	<u>\$ 1,845</u>	<u>\$ 1,650</u>	<u>\$ 1,052</u>	<u>\$ 6,122</u>	<u>\$ 1,360</u>	<u>\$ 1,403</u>	<u>\$ 1,249</u>	<u>\$ 1,048</u>	<u>\$ 5,060</u>

Components of Cash and Liquid Investments

<u>In Millions of Dollars</u>	<u>December 31, 2015</u>	<u>September 30, 2016</u>	<u>December 31, 2016</u>
Cash and Cash Equivalents	\$ 924	\$ 740	\$ 875
Short-Term Investments	1,064	1,090	1,147
Repurchase Agreements	387	296	369
Cash and Liquid Investments	<u>\$ 2,375</u>	<u>\$ 2,126</u>	<u>\$ 2,391</u>

Reconciliation of Free Cash Flow to Net Cash Provided by Operating Activities

<u>In Millions of Dollars</u>	<u>For the Years Ended December 31,</u>			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Free Cash Flow	\$ 3,274	\$ 4,549	\$ 4,402	\$ 3,363
Add:				
Capital Expenditures	<u>1,561</u>	<u>1,499</u>	<u>1,440</u>	<u>2,243</u>
Net Cash Provided by Operating Activities	<u>\$ 4,835</u>	<u>\$ 6,048</u>	<u>\$ 5,842</u>	<u>\$ 5,606</u>

Calculation of Free Cash Flow Yield

	For the Years Ended December 31,			
<u>In Millions of Dollars (except share data)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net Cash Provided by Operating Activities	\$ 4,835	\$ 6,048	\$ 5,842	\$ 5,606
Less:				
Capital Expenditures	<u>1,561</u>	<u>1,499</u>	<u>1,440</u>	<u>2,243</u>
Free Cash Flow	\$ 3,274	\$ 4,549	\$ 4,402	\$ 3,363
Divided by:				
Market Capital:				
Common stock outstanding	548,824,138	486,969,402	440,150,069	404,046,331
Closing Share Price, end of period	<u>\$ 80.28</u>	<u>\$ 79.39</u>	<u>\$ 86.90</u>	<u>\$ 85.78</u>
Market Capital	\$ 44,060	\$ 38,661	\$ 38,249	\$ 34,659
Free Cash Flow Yield	<u>7.4%</u>	<u>11.8%</u>	<u>11.5%</u>	<u>9.7%</u>

Schedule of Spending for Dividends and Share Repurchases

For the Years Ended December 31,

In Millions of Dollars

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Interim Dividends	\$ 1,127	\$ 1,403	\$ 1,410	\$ 1,395
Repurchases of Ordinary Shares	1,949	5,788	4,656	2,938
Total	<u>\$ 3,076</u>	<u>\$ 7,191</u>	<u>\$ 6,066</u>	<u>\$ 4,333</u>

Calculation of LYB Return on Invested Capital (ROIC)

<u>In Million of Dollars</u>	<u>Years Ended December 31,</u>	
	<u>2015</u>	<u>2016</u>
Income from Continuing Operations		\$ 3,847
Add:		
Interest Expense, Net		305
Effective Tax Rate		<u>26.5%</u>
Interest Expense, Net, After Tax		<u>224</u>
Adjusted Income from Continuing Operations		<u>4,071</u>
Divided by:		
Average Invested Capital:		
Property, Plant & Equipment, Net	\$ 8,991	10,137
Current Assets	9,789	9,599
Less:		
Current Liabilities	4,349	4,540
Cash and Cash Equivalents	<u>924</u>	<u>875</u>
	<u>\$ 13,507</u>	<u>14,321</u>
Average Invested Capital		<u>\$ 13,914</u>
Return on Invested Capital		<u>29%</u>
