The Credit Department Inc

Trade Credit Risk Analysis Worksheet

By: Pam Krank The Credit Department, Inc *Confidential, for sole and intended use of The Credit Department*

Date of Report:	***August 13, 2008***
Company Name (s):	***Lyondell Chemical Company***
d/b/a:	***Lyondell Chemical Worldwide Inc (US Subsidiary), PD Glycol, Millenium Chemicals, Millenium Inorganic Chemicals, Equistar Chemicals, Houston***
Ownership:	*Wholly owned subsidiary of LyondellBasell Industries. Parent company publicly-traded on Berlin Stock Exchange*
SIC Code; Principal Line of Business :	*Crude oil refinery, chemical products and polymers*

EXECUTIVE SUMMARY

Composite Credit Risk Rating:

Rating Guide	Score	High	Med-High	Med	Low-Med	Low
TCD Credit Risk Matrix	-18					
S&P	B neg					
D&B	--					
Z-Score Public Manufacturing	0.62					
Length of Business / Ownership-Public Stock.	1 year					
Credit History (Internal)	Ppt-slow 30					
Composite Rating	High					

Credit Request & Recommended Action:

Existing Credit Limit	$600,000
Recommended Credit Limit:	$0
Terms & Conditions:	High risk of default
Monitoring:	Quarterly financial analysis; continued debt downgrades

Financial Summary:

Working Capital % Estimated Net Sales:	1.2%	Credit Limit % Adj. Tangible Net Wort	0.000%
Current Ratio:	1.07	Credit Limit % Net Sales	0.000%
Quick Ratio:	0.37	Interest*	$421,000,000
CFFOs / Current Liabilities	(0.01)	Debt / CFFOs	($336.84)
$ Total Assets (000):	$26,790,000,000	Inventory/COGS*	0.46
$ Total Liabilities (000):	$26,601,000,000	Total Liabilities / Total Assets	0.99
$ Total Equity (000)	$189,000,000	% Net Income Growth	100%
Total Equity % Total Assets	-0.1%	Net Income / Total Assets*	(0.01)
Goodwill & Intangibles % Equity	-32105%	Retained Earnings / Total Assets	0.00
Debt / Equity	(3.91)	% Sales Growth	27.0%
% Goodwill & Intangibles Allowed in Adj Tangible Net Wor	0.00	Cash / Total Assets	0.01

Credit Risk Summary:

Liquidity: "Moderate" and "Weakening". Company has $412 million in working capital (compared to $1.4 billion in 2007); only 2.5% of sales. Defensive interval is only at 15 days--down from 22. The company has $1 billion available under its revolving credit lines. Cash flow from operations is a positive $382 million and can supplement working capital needs of the company. The company has $1.1 billion receivables securitization agreement until 2012. On 6/30/08 $920 million was outstanding under the program. Company offered cash discounts to customers to speed cash collections of A/R in 2008. Cash conversion cycle still increased to 14 days due to higher inventories.

Solvency and Debt Structure: "Weak". The company has a negative $22 million in equity: tangible net worth is a negative $7 billion. On December 20, 2007, Basell AF S.C.A. (“Basell”) indirectly acquired the outstanding common shares of Lyondell. As a result, Lyondell became an indirect wholly owned subsidiary of Basell, and Basell was renamed LyondellBasell Industries AF S.C.A.. $8 billion of the long-term debt is owed to Basell Group, which provided $7.166 billion on December 20, 2007, to the company as part of its acquisition. The company paid $83 million in interest on this debt the first 6 months of 2008. In the first six months of 2008, Lyondell borrowed $953 million under the inventory-based credit facility and $64 million under LyondellBasell Industries’ European accounts receivable securitization program and made amortization payments totaling $73 million on term loans A and B. The company has $550 million investments in European and U.S. joint ventures. The company has an accrued liability of $200 million for environmental cleanup.

Earnings: "Negative". Earnings decreased from a positive $195 million to a negative $421 million. Sales increased 27% due to higher selling prices, especially fuel. Costs increased 37% due to increases in raw material prices. The company has three main product lines: fuel products (48.8% of sales), chemical products (48.8%), and polymers (1.2%). Lyondell’s operating results primarily reflect the negative effect of sales price increases failing to keep pace with significantly higher raw material costs. In the fuels segment, operating results in the second quarter 2008 included the effects of an unplanned outage. Additionally, as a result of the acquisition, interest expense more than doubled to $831 million due to the new financing package by the corporate parent. Refinery sales volumes increased 4%. Fuel segment operating income more than doubled to $521 million in the first 6 months of 2008. Chemical group operating income dropped by 31%. Polymers group lost $35 million in operating income first 6 months of 2008.

Credit Experience & Miscellaneous Credit Risk Factors: "Satisfactory": 31 creditors report payments that are 9 days slow on average. 86% of creditors report prompt payments at the corporate parent. Highest credit indicated is $1 million. The parent company indicates in its financial statements that it has restrictive bank covenants with its revolving credit lines.

Summary: "High risk" of default. TCD estimates a default probability of 100% due to extreme debt levels, negative earnings, and outlook. S&P indicates a B negative rating on the debt. We recommend minimizing exposures and holding service when past due. We're unable to recommend an unsecured credit line at this time. Need to analyze quarterly financials as released to view default probability changes.