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MILLENNIUM CHEMICALS INC
Form 425
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Filed by Lyondell Chemical Company

Pursuant to Rule 425 under the Securities Act of 1933 and

Deemed Filed Pursuant to Rule 14a-6 under the Securities Exchange Act of 1934

Form S-4 Registration Statement File No.: 333-114877

Subject Company: Millennium Chemicals Inc.

Additional Information:

On October 15, 2004, Lyondell Chemical Company (Lyondell) filed with the Securities and Exchange Commission (the SEC) the definitive joint proxy statement/prospectus regarding the proposed transaction between Lyondell and Millennium Chemicals Inc. (Millennium). **Investors and security holders are urged to read that document and any other relevant documents filed or that will be filed with the SEC as they become available, because they contain, or will contain, important information.** Investors and security holders may obtain a free copy of the definitive joint proxy statement/prospectus and other documents filed by Lyondell and Millennium with the SEC at the SEC 's web site at www.sec.gov. The definitive joint proxy statement/prospectus and the other documents filed by Lyondell may also be obtained free from Lyondell by calling Lyondell 's Investor Relations department at (713) 309-4590.

Forward-Looking Statements:

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about the benefits of the proposed transaction between Lyondell and Millennium, including financial and operating results, Lyondell 's plans, objectives, expectations and intentions and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of Lyondell 's management and are subject to significant risks and uncertainties. Actual results may differ materially from those set forth in the forward-looking statements. The following factors, among others, could affect the proposed transaction and the anticipated results: approval by Lyondell 's and Millennium 's respective shareholders and the parties ' ability to achieve expected synergies in the transaction within the expected timeframes or at all. Additional factors that could cause Lyondell 's results to differ materially from those described in the forward-looking statements can be found in Lyondell 's Annual Report on Form 10-K for the year ended December 31, 2003, which was filed with the SEC on March 12, 2004, and Lyondell 's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, which was filed with the SEC on August 6, 2004.

This filing contains the press release announcing Lyondell 's results for the third quarter of 2004. This information is being filed pursuant to Rule 425 under the Securities Act of 1933.

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Lyondell Reports Third Quarter 2004 Results

Lyondell reports \$50 million or \$0.28/share net income

Strongest quarterly earnings since third quarter of 2000

Continued improvement at each operating entity

Debt reduction initiated at Lyondell Chemical Company

Lyondell called \$200 million of debt during the quarter

Equistar distributed \$100 million to owners

Millennium acquisition scheduled to close on December 1, 2004

HOUSTON, October 28, 2004 Lyondell Chemical Company (NYSE: LYO) today announced net income for the third quarter of \$50 million, or \$0.28 per share. This compares to a net loss of \$44 million, or \$0.27 per share, for the third quarter 2003, and net income of \$3 million, or \$0.02 per share, for the second quarter 2004.

Table 1 - Lyondell Earnings Summary

| <i>Millions of dollars except per share amounts</i> | 3Q 2004 | 3Q 2003 | 2Q 2004 | 1st Nine Months 2004 | 1st Nine Months 2003 |
|---|----------------|----------------|----------------|-------------------------------------|-------------------------------------|
| Sales and other operating revenues | \$ 1,307 | \$ 954 | \$ 1,161 | \$ 3,573 | \$ 2,856 |
| Net income (loss) | 50 | (44) | 3 | 38 | (225) |
| Basic and diluted earnings (loss) per share | 0.28 | (0.27) | 0.02 | 0.21 | (1.40) |
| Weighted average shares outstanding (millions) | 178.1 | 161.6 | 177.1 | 177.5 | 161.0 |

Table 2 - Lyondell and Proportionate Share of Ventures - Supplemental Financial Data

| <i>Millions of dollars</i> | <u>3Q 2004</u> | <u>3Q 2003</u> | <u>2Q 2004</u> | <u>1st Nine Months 2004</u> | <u>1st Nine Months 2003</u> |
|---|----------------|----------------|----------------|--|--|
| Proportionate sales and other operating revenues ^(a) | \$ 3,935 | \$ 2,717 | \$ 3,427 | \$ 10,529 | \$ 8,128 |
| Proportionate EBITDA ^(b) | 354 | 207 | 287 | 900 | 446 |

(a) See Table 6 for components of proportionate share of sales and other operating revenues.

(b) See Table 7 for a reconciliation of net income (loss) to proportionate EBITDA and Table 8 for Lyondell's income statement information.

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Compared to the third quarter of 2003, results turned positive as improved performance at each entity led to a \$94 million, or \$0.55 per share, improvement in quarterly results.

For the first nine months of 2004, Lyondell's net income was \$38 million, a \$263 million improvement versus the first nine months of 2003. Each of the Lyondell companies contributed to this improvement with increased Equistar margins and volumes contributing the largest portion. For the first nine months of 2004, sales volumes for Equistar's ethylene and ethylene derivatives, as well as Lyondell's propylene oxide (PO) and PO derivatives, have increased by approximately 11 percent and 16 percent, respectively, versus the same period in 2003.

Compared to the second quarter of 2004, margin improvements coupled with volume increases in most key products led to a \$47 million net income improvement. These improvements followed trends established late in 2003, as aggregate quarterly product prices more than offset the impact of increased raw material and energy costs.

For the past year we have benefited from improving performance in the majority of our key products, said Dan F. Smith, president and CEO of Lyondell Chemical Company. Volume growth across most products as well as margin improvements in ethylene glycol, propylene, and fuel products were early contributors. Strength in these areas continued during the third quarter and results have been further enhanced by strengthening in benzene, polyethylene, and propylene oxide derivatives. These improvements, coupled with a growing confidence in the industry cycle, positioned Equistar to make its first cash distribution since the summer of 2000 and enabled Lyondell to call \$200 million of its outstanding debt during the quarter.

OUTLOOK

Industry conditions have continued to be quite strong through October. Price increase activity is underway in almost all products in response to strong supply/demand fundamentals and the current high level of crude oil and natural gas prices. Products with strong seasonal dependencies such as MTBE and deicers have followed typical seasonal trends (i.e., MTBE margins decrease, deicer volumes increase); in aggregate, this historically has reduced fourth-quarter IC&D results compared to the third quarter.

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Solid global sales volume growth has tightened industry supply/demand conditions, which in turn have led to modest margin improvement despite significant increases in raw material costs, said Smith. It appears that, barring a significant economic slowdown or global disruption, these industry conditions and resulting improving cyclical trends will continue. While it is difficult to quantify the potential near-term earnings impacts of raw material volatility and seasonality, positive longer-term trends appear to be well established. We fully expect that conditions will allow us to continue our focus on debt reduction.

Additionally, we look forward to closing the Millennium acquisition on December 1 and benefiting from the subsequent ownership of 100 percent of Equistar as well as the Millennium product lines as the long-awaited upturn progresses.

LYONDELL AND JOINT VENTURES

Lyondell's operations comprise: Lyondell's Intermediate Chemicals and Derivatives (IC&D) segment; Equistar, a joint venture with Millennium Chemicals Inc.; and LYONDELL-CITGO Refining LP (LCR), a joint venture with CITGO Petroleum Corp.

Lyondell's Intermediate Chemicals & Derivatives (IC&D) Segment The IC&D segment includes propylene oxide (PO) and derivatives, MTBE, styrene and TDI.

Table 3 - IC&D Financial Overview

| <i>Millions of dollars</i> | 3Q 2004 | 3Q 2003 | 2Q 2004 | 1st Nine Months 2004 | 1st Nine Months 2003 |
|--|----------------|----------------|----------------|--|--|
| Sales and other operating revenues | \$ 1,307 | \$ 954 | \$ 1,161 | \$ 3,573 | \$ 2,856 |
| Operating income (loss) ^(a) | 49 | 20 | 20 | 92 | (4) |
| EBITDA ^(a) | 100 | 84 | 82 | 268 | 185 |

(a) See Table 7 for a reconciliation of Lyondell's net income (loss) to EBITDA and Table 8 for Lyondell's IC&D operating income (loss) and net income (loss).

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Third-quarter 2004 results include a \$6 million charge related to the early retirement of \$100 million of debt.

3Q04 v. 2Q04 Compared to the second quarter, PO and PO derivative margins improved by approximately \$15 million as price increases offset earlier increases in propylene raw material costs. Sales volumes in these products continued to be strong and increased slightly. Styrene results improved by approximately \$10 million based on European margin improvements and increased U.S. sales volumes. MTBE performance continued to be strong at second-quarter levels. TDI results were relatively unchanged versus the second quarter of 2004.

3Q04 v. 3Q03 Operating income increased by \$29 million versus the year-ago quarter. Increased MTBE margins and PO and PO derivative product volumes and margins contributed to the improvement. Styrene results were slightly lower as lower margins were only partially offset by increased sales volume. TDI results were relatively unchanged.

Equistar Chemicals, LP Lyondell owns a 70.5 percent interest in Equistar, which consists of the petrochemicals and polymers segments.

Table 4 - Equistar Financial Overview 100% Basis

| <i>Millions of dollars</i> | 3Q 2004 | 3Q 2003 | 2Q 2004 | 1st Nine Months 2004 | 1st Nine Months 2003 |
|------------------------------------|----------------|----------------|----------------|-------------------------------------|-------------------------------------|
| Sales and other operating revenues | \$ 2,439 | \$ 1,642 | \$ 2,099 | \$ 6,500 | \$ 4,880 |
| Operating income (loss) | 129 | 12 | 99 | 289 | (60) |
| Net income (loss) ^(a) | 72 | (40) | 43 | 120 | (235) |
| EBITDA ^(a) | 208 | 87 | 175 | 519 | 148 |

(a) See Table 7 for a reconciliation of Equistar's net income (loss) to EBITDA

3Q04 v. 2Q04 Reflecting the continuation of second quarter industry trends, net income improved by \$29 million. Margin improvements in ethylene derivatives (polyethylene and ethylene oxygenates) were the key contributors as price increases outpaced ethylene raw material costs. Ethylene sales margins were relatively unchanged as ethylene and co-product price increases largely offset raw material costs. Total raw material costs increased by more than \$160 million versus the prior quarter. Ethylene and ethylene derivative volumes continued to increase, growing by approximately 65 million pounds or approximately 2.5 percent versus the second quarter.

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3Q04 v. 3Q03 Net income improved by \$112 million as a result of increased product margins supplemented by increased sales volumes. Average quarterly prices for ethylene and its major derivatives (polyethylene and ethylene glycol) ranged from 6½ cents per pound to 8½ cents per pound higher than during the third quarter of 2003. Equistar's average cost-of-ethylene-production metric increased by approximately 4½ cents per pound versus the same period last year, driven by the increased cost of crude oil and natural gas-based raw materials. Compared to the third quarter of 2003, ethylene and ethylene derivative sales volumes increased by approximately 140 million pounds or 5.5 percent. Third-quarter 2003 results included an \$11 million charge for the write-off of an R&D facility.

LYONDELL-CITGO Refining LP (LCR) Lyondell owns a 58.75 percent interest in LCR, a major refiner of heavy crude oil.

Table 5 - LCR Financial Overview 100% Basis

| <i>Millions of dollars</i> | 3Q 2004 | 3Q 2003 | 2Q 2004 | 1st Nine Months 2004 | 1st Nine Months 2003 |
|------------------------------------|----------------|----------------|----------------|--|--|
| Sales and other operating revenues | \$ 1,546 | \$ 1,030 | \$ 1,339 | \$ 4,039 | \$ 3,118 |
| Operating income | 139 | 77 | 111 | 351 | 182 |
| Net income ^(a) | 147 | 69 | 103 | 341 | 155 |
| EBITDA ^(a) | 182 | 105 | 139 | 452 | 267 |

(a) See Table 7 for a reconciliation of LCR's net income to EBITDA.

Third-quarter 2004 results benefited from the receipt of \$14 million related to a third-party contract settlement. However, the results also include a non-cash charge of \$9 million for the write-off of obsolete equipment.

3Q04 v. 2Q04 LCR's income continued to set new profitability records. Processing rates for Venezuelan contract crude (CSA) averaged 243,000 barrels per day while total crude volumes averaged 278,000 barrels per day. Continued strong spot crude margins, aromatics margins and operating efficiencies also contributed to the record quarterly results.

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3Q04 v. 3Q03 Results improved \$78 million versus the third quarter of 2003 primarily as a result of increased crude oil and aromatic product margins. Strong operations and resulting increased crude oil processing volumes also contributed to the substantial earnings increase.

CONFERENCE CALL

Lyondell will host a conference call today, October 28, 2004, at 11:30 a.m. Eastern Time (ET). Participating on the call will be: Dan F. Smith, President and CEO; Morris Gelb, Executive Vice President and COO; T. Kevin DeNicola, Senior Vice President and CFO; and Doug Pike, Director of Investor Relations. The dial-in numbers are 888-391-2385 (U.S. toll free) and 484-644-0641 (international). The passcode for each number is Lyondell. The call will be broadcast live on the Investor Relations page of the company's web site, www.lyondell.com/earnings.

A replay of the call will be available from 1:30 p.m. ET October 28 to 5 p.m. ET November 5. The dial-in numbers are 800-839-8797 (U.S.) and 402-998-1603 (international). Passcode for each is 5549. Web replay will be available at 2:30 p.m. ET October 28 on the Investor Relations page of the company's web site, www.lyondell.com/earnings.

Reconciliations of non-GAAP financial measures to GAAP financial measures, together with any other applicable disclosures, including this earnings release, will be available at 11:30 a.m. ET at www.lyondell.com/earnings.

ABOUT LYONDELL

Lyondell Chemical Company, (www.lyondell.com), headquartered in Houston, Texas, is a leading producer of: propylene oxide (PO); PO derivatives, propylene glycol (PG), butanediol (BDO) and propylene glycol ether (PGE); and styrene monomer and MTBE as co-products of PO production. Through its 70.5% interest in Equistar Chemicals, LP, Lyondell also is one of the largest producers of ethylene, propylene and polyethylene in North America and a leading producer of ethylene oxide, ethylene glycol, high value-added specialty polymers and polymeric powder. Through its 58.75% interest in LYONDELL-CITGO Refining LP, Lyondell is one of the largest refiners in the United States processing extra heavy Venezuelan crude oil to produce gasoline, low sulfur diesel and jet fuel.

FORWARD LOOKING STATEMENTS AND ADDITIONAL INFORMATION

The statements in this release and the related teleconference relating to matters that are not historical facts are forward-looking statements that are subject to risks and uncertainties. Actual results

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could differ materially, based on factors including, but not limited to: availability, cost and price volatility of raw materials; uncertainties associated with the US and worldwide economies; current and potential governmental regulatory actions; terrorist acts; operating interruptions; cyclical nature of the chemical and refining industries; competitive products and pricing; industry production capabilities; supply/demand balances; access to capital markets; technological developments; business strategies and other risk factors. In the case of any forward-looking statements relating to the proposed transaction between Lyondell Chemical Company (Lyondell) and Millennium Chemicals Inc. (Millennium), the following factors, among others, could affect the proposed transaction and the anticipated results: approval by Lyondell s and Millennium s respective shareholders, and the parties ability to achieve expected synergies in the transaction within the expected timeframes or at all. All of such forward-looking statements are based upon the current beliefs and expectations of Lyondell s management and are subject to significant risks and uncertainties. Additional factors that could cause Lyondell s results to differ materially from those described in the forward-looking statements can be found in Lyondell s Annual Report on Form 10-K for the year ended December 31, 2003, which was filed with the Securities and Exchange Commission (the SEC) on March 12, 2004, and Lyondell s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, which will be filed with the SEC in November 2004.

In addition, on October 15, 2004, Lyondell filed with the SEC the definitive joint proxy statement/prospectus regarding the proposed transaction between Lyondell and Millennium. **Investors and security holders are urged to read that document and any other relevant documents filed or that will be filed with the SEC, as they become available, because they contain, or will contain, important information.** Investors and security holders may obtain a free copy of the definitive joint proxy statement/prospectus and other documents filed by Lyondell and Millennium with the SEC at the SEC s web site at www.sec.gov. The definitive joint proxy statement/prospectus and the other documents filed by Lyondell may also be obtained free from Lyondell by calling Lyondell s Investor Relations department at (713) 309-4590.

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Table 6 - Unaudited Financial and Operating Information

| (Millions of dollars) | Lyondell Chemical Company | Joint Ventures | | Lyondell and Proportionate Share of Equity Investments (a) |
|---|---------------------------------|------------------|-------------|--|
| | | Equistar 100% | LCR 100% | |
| Three months ended September 30, 2004: | | | | |
| Sales and other operating revenues ^(b) | \$ 1,307 | \$ 2,439 | \$ 1,546 | \$ 3,935 |
| SG&A and R&D | 63 | 55 | 14 | 110 |
| EBITDA | 100 | 208 | 182 | 354 |
| Depreciation and amortization | 59 | 81 | 29 | 131 |
| Interest expense, net | 108 | 55 | 6 | 150 |
| Net income | 50(c) | | | |
| Capital expenditures | 16 | 28 | 13 | 43 |
| Cash dividends | 32 | | | |
| Three months ended September 30, 2003: | | | | |
| Sales and other operating revenues ^(b) | \$ 954 | \$ 1,642 | \$ 1,030 | \$ 2,717 |
| SG&A and R&D | 43 | 57 | 14 | 91 |
| EBITDA | 84 | 87 | 105 | 207 |
| Depreciation and amortization | 66 | 76 | 28 | 134 |
| Interest expense, net | 106 | 51 | 8 | 147 |
| Net loss | (44)(c) | | | |
| Capital expenditures | 9 | 28 | 8 | 33 |
| Cash dividends | 28 | | | |
| Three months ended June 30, 2004: | | | | |
| Sales and other operating revenues ^(b) | \$ 1,161 | \$ 2,099 | \$ 1,339 | \$ 3,427 |
| SG&A and R&D | 57 | 49 | 15 | 100 |
| EBITDA | 82 | 175 | 139 | 287 |
| Depreciation and amortization | 64 | 77 | 28 | 132 |
| Interest expense, net | 108 | 55 | 8 | 151 |
| Net income | 3(c) | | | |
| Capital expenditures | 16 | 22 | 14 | 40 |
| Cash dividends | 32 | | | |

(a) This column reflects Lyondell's 100% owned operations and its pro rata share of each joint venture's operations, which is not a presentation in accordance with generally accepted accounting principles. Lyondell has a 70.5% interest in Equistar Chemicals, LP (Equistar) and a 58.75% interest in LYONDELL-CITGO Refining LP (LCR).

(b) Sales and other operating revenues include sales to affiliates.

(c) Includes income (loss) from equity investments in Equistar and LCR.

Table 7 - Reconciliation of Net Income (Loss) to EBITDA

| (Millions of dollars) | For the three months ended | | | For the nine months ended | |
|--|----------------------------|---------------|---------------|---------------------------|---------------|
| | September 30, | | June 30, | September 30, | |
| | 2004 | 2003 | 2004 | 2004 | 2003 |
| LYONDELL | | | | | |
| Net income (loss) | \$ 50 | \$ (44) | \$ 3 | \$ 38 | \$ (225) |
| Add: | | | | | |
| Provision for (benefit from) income taxes | 26 | (27) | 3 | 20 | (121) |
| Interest expense, net | 108 | 106 | 108 | 325 | 288 |
| Depreciation and amortization | 59 | 66 | 64 | 186 | 184 |
| (Income) loss from equity investment in Equistar | (54) | 26 | (33) | (93) | 158 |
| Income from equity investment in LCR | (89) | (43) | (63) | (208) | (99) |
| IC&D EBITDA | \$ 100 | \$ 84 | \$ 82 | \$ 268 | \$ 185 |
| EQUISTAR | | | | | |
| Net income (loss) | \$ 72 | \$ (40) | \$ 43 | \$ 120 | \$ (235) |
| Add: | | | | | |
| Depreciation and amortization | 81 | 76 | 77 | 234 | 230 |
| Interest expense, net | 55 | 51 | 55 | 165 | 153 |
| EBITDA | \$ 208 | \$ 87 | \$ 175 | \$ 519 | \$ 148 |
| Lyondell Proportionate Share - 70.5% | \$ 147 | \$ 61 | \$ 123 | \$ 366 | \$ 104 |
| LCR | | | | | |
| Net income | \$ 147 | \$ 69 | \$ 103 | \$ 341 | \$ 155 |
| Add: | | | | | |
| Depreciation and amortization | 29 | 28 | 28 | 87 | 85 |
| Interest expense, net | 6 | 8 | 8 | 24 | 27 |
| EBITDA | \$ 182 | \$ 105 | \$ 139 | \$ 452 | \$ 267 |
| Lyondell Proportionate Share - 58.75% | \$ 107 | \$ 62 | \$ 82 | \$ 266 | \$ 157 |
| EBITDA - Lyondell and Proportionate Share of Equity Investments | | | | | |
| Lyondell EBITDA | \$ 100 | \$ 84 | \$ 82 | \$ 268 | \$ 185 |
| 70.5% of Equistar EBITDA | 147 | 61 | 123 | 366 | 104 |
| 58.75% of LCR EBITDA | 107 | 62 | 82 | 266 | 157 |
| Lyondell and Proportionate Share of Equity Investments | \$ 354 | \$ 207 | \$ 287 | \$ 900 | \$ 446 |

Table 8 - Lyondell Unaudited Income Statement Information

| (Millions of dollars, except per share data) | For the three months ended | | | For the nine months ended | |
|--|----------------------------|-----------|----------|---------------------------|-----------|
| | September 30, | | June 30, | September 30, | |
| | 2004 | 2003 | | 2004 | 2004 |
| Sales and other operating revenues | \$ 1,307 | \$ 954 | \$ 1,161 | \$ 3,573 | \$ 2,856 |
| Cost of sales | 1,195 | 891 | 1,084 | 3,308 | 2,713 |
| Selling, general and administrative expenses | 55 | 34 | 49 | 149 | 121 |
| Research and development expenses | 8 | 9 | 8 | 24 | 26 |
| Operating income (loss) | 49 | 20 | 20 | 92 | (4) |
| Income (loss) from equity investment in Equistar | 54 | (26) | 33 | 93 | (158) |
| Income from equity investment in LCR | 89 | 43 | 63 | 208 | 99 |
| Income (loss) from other equity investments | 1 | (4) | 1 | 3 | (10) |
| Interest expense, net | (108) | (106) | (108) | (325) | (288) |
| Other income (expense), net | (9) | 2 | (3) | (13) | 15 |
| Income (loss) before income taxes | 76 | (71) | 6 | 58 | (346) |
| Provision for (benefit from) income taxes | 26 | (27) | 3 | 20 | (121) |
| Net income (loss) | \$ 50 | \$ (44) | \$ 3 | \$ 38 | \$ (225) |
| Basic and diluted earnings (loss) per share: | \$ 0.28 | \$ (0.27) | \$ 0.02 | \$ 0.21 | \$ (1.40) |
| Weighted average shares (in millions) ^(a) : | | | | | |
| Basic | 178.1 | 161.6 | 177.1 | 177.5 | 161.0 |
| Diluted | 179.9 | 161.6 | 177.8 | 178.7 | 161.0 |

(a) Lyondell sold 13.8 million shares of common stock in October 2003, including 2.7 million shares to Occidental Chemical Holding Corporation (OCHC). In addition, Lyondell paid a dividend to OCHC by issuing shares of Series B common stock each quarter beginning in December 2002 in lieu of a dividend payment in cash.

Table 9 - Lyondell Intermediate Chemicals and Derivatives Segment - Sales Volumes

| (In millions) | For the three months ended | | | For the nine months ended | |
|--|----------------------------|------|----------|---------------------------|-------|
| | September 30, | | June 30, | September 30, | |
| | 2004 | 2003 | | 2004 | 2004 |
| PO and derivatives (pounds) ^(a) | 909 | 816 | 875 | 2,786 | 2,459 |
| Co-products: | | | | | |

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| | | | | | |
|--|-----|-----|-----|-------|-------|
| Styrene monomer (pounds) | 962 | 865 | 830 | 2,723 | 2,514 |
| MTBE and other TBA derivatives (gallons) | 269 | 292 | 284 | 825 | 871 |

(a) Includes propylene oxide (PO), PO derivatives and isocyanates.

Table 10 - Lyondell Unaudited Cash Flow Information

| (Millions of dollars) | For the nine months ended | |
|---|---------------------------|---------------|
| | September 30, | |
| | 2004 | 2003 |
| Net income (loss) | \$ 38 | \$ (225) |
| Adjustments: | | |
| Depreciation and amortization | 186 | 184 |
| (Income) loss from equity investments | (304) | 69 |
| Distributions of earnings from affiliates | 281 | 101 |
| Deferred income taxes | 16 | (122) |
| Gain on sale of equity interest | | (18) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (98) | 3 |
| Inventories | (24) | 12 |
| Accounts payable | 47 | (5) |
| Accrued interest | 74 | 79 |
| Income taxes refundable, net of payable | 2 | 36 |
| Other assets and liabilities, net | 38 | 22 |
| Cash provided by operating activities | 256 | 136 |
| Expenditures for property, plant and equipment ^(a) | (43) | (247) |
| Distributions from affiliates in excess of earnings | 105 | 118 |
| Contributions and advances to affiliates ^(b) | (32) | (102) |
| Maturity of other short-term investments | | 44 |
| Proceeds from sale of equity interest | | 28 |
| Cash provided by (used in) investing activities | 30 | (159) |
| Issuance of long-term debt | | 318 |
| Repayment of long-term debt | (105) | (103) |
| Dividends paid | (95) | (85) |
| Other | 8 | (3) |
| Cash provided by (used in) financing activities | (192) | 127 |
| Effect of exchange rate changes on cash | (1) | 3 |
| Increase in cash and cash equivalents | \$ 93 | \$ 107 |

(a) Includes the May 2003 purchase of the BDO-2 facility for \$218 million, which Lyondell previously leased.

(b) Includes cash contributions to European PO Joint Venture and the U.S. PO Joint Venture of \$4 million and \$63 million during the nine-month periods ended September 30, 2004 and September 30, 2003, respectively. Also includes capitalized interest related to the Maasvlakte PO/SM plant of \$15 million during the nine-month period ended September 30, 2003.

Table 11 - Lyondell Unaudited Balance Sheet Information

| (Millions of dollars) | September 30, 2004 | December 31, 2003 |
|---|-----------------------|----------------------|
| Cash and cash equivalents | \$ 531 | \$ 438 |
| Accounts receivable, net ^(a) | 542 | 449 |
| Inventories | 369 | 347 |
| Prepaid expenses and other current assets | 70 | 82 |
| Deferred tax assets | 243 | 43 |
| Total current assets | 1,755 | 1,359 |
| Property, plant and equipment, net | 2,521 | 2,640 |
| Investments and long-term receivables: | | |
| Investment in Equistar | 985 | 965 |
| Investment in PO joint ventures | 826 | 866 |
| Investment in and receivable from LCR | 161 | 232 |
| Other investments and long-term receivables | 89 | 85 |
| Goodwill, net | 1,080 | 1,080 |
| Other assets, net | 380 | 406 |
| Total assets | \$ 7,797 | \$ 7,633 |
| Accounts payable | \$ 473 | \$ 431 |
| Current maturities of long-term debt | 100 | |
| Accrued liabilities | 332 | 268 |
| Total current liabilities | 905 | 699 |
| Long-term debt | 3,952 | 4,151 |
| Other liabilities | 705 | 680 |
| Deferred income taxes | 1,003 | 792 |
| Minority interest | 142 | 155 |
| Stockholders' equity (179,206,023 and 176,792,587 shares outstanding at September 30, 2004 and December 31, 2003, respectively) | 1,090 | 1,156 |
| Total liabilities and stockholders' equity | \$ 7,797 | \$ 7,633 |

(a) See Table 21 for accounts receivable sold.

Table 12 - Lyondell Selected Equity Investment Activity

| (Millions of dollars) | For the three months ended September 30, 2004 | For the nine months ended September 30, 2004 |
|---|--|---|
| Investment in Equistar, beginning of period | \$ 1,002 | \$ 965 |
| Lyondell's share of Equistar net income | 54 | 93 |
| Cash distributions from Equistar | (71) | (71) |
| Lyondell's share of Equistar other comprehensive loss | | (2) |

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| | | |
|---|---------------|---------------|
| Investment in Equistar, end of period | \$ 985 | \$ 985 |
| Investment in LCR, beginning of period | \$ (20) | \$ 3 |
| Lyondell s share of LCR net income | 89 | 208 |
| Cash distributions from LCR | (148) | (308) |
| Cash contributions to LCR | 10 | 28 |
| Other | 1 | 1 |
| Investment in LCR, end of period | (68) | (68) |
| LCR receivable, beginning and end of period | 229 | 229 |
| Investment in and receivable from LCR, end of period | \$ 161 | \$ 161 |

Table 13 - Equistar Unaudited Income Statement Information

| (Millions of dollars) | For the three months ended | | | For the nine months ended | |
|---|----------------------------|----------|----------|---------------------------|----------|
| | September 30, | | June 30, | September 30, | |
| | 2004 | 2003 | 2004 | 2004 | 2003 |
| Sales and other operating revenues ^(a) | \$ 2,439 | \$ 1,642 | \$ 2,099 | \$ 6,500 | \$ 4,880 |
| Cost of sales | 2,255 | 1,561 | 1,951 | 6,063 | 4,754 |
| Selling, general and administrative expenses | 47 | 47 | 41 | 129 | 131 |
| Research and development expenses | 8 | 10 | 8 | 23 | 29 |
| (Gain) loss on asset dispositions | | 12 | | (4) | 26 |
| Operating income (loss) | 129 | 12 | 99 | 289 | (60) |
| Interest expense, net | (55) | (51) | (55) | (165) | (153) |
| Other expense, net | (2) | (1) | (1) | (4) | (22) |
| Net income (loss) ^(b) | \$ 72 | \$ (40) | \$ 43 | \$ 120 | \$ (235) |

(a) Sales and other operating revenues include sales to affiliates.

(b) As a partnership, Equistar is not subject to federal income taxes.

Table 14 - Equistar Unaudited Segment Financial and Operating Information

| (Millions of dollars) | For the three months ended | | | For the nine months ended | |
|--|----------------------------|----------|----------|---------------------------|----------|
| | September 30, | | June 30, | September 30, | |
| | 2004 | 2003 | 2004 | 2004 | 2003 |
| Sales and other operating revenues ^(a) | | | | | |
| Petrochemicals segment | \$ 2,277 | \$ 1,491 | \$ 1,967 | \$ 6,110 | \$ 4,508 |
| Polymers segment | 667 | 517 | 603 | 1,827 | 1,476 |
| Intersegment eliminations | (505) | (366) | (471) | (1,437) | (1,104) |
| Total | \$ 2,439 | \$ 1,642 | \$ 2,099 | \$ 6,500 | \$ 4,880 |
| Operating income (loss) | | | | | |
| Petrochemicals segment | \$ 132 | \$ 66 | \$ 136 | \$ 372 | \$ 119 |
| Polymers segment | 32 | (19) | (6) | 12 | (81) |
| Unallocated | (35) | (35) | (31) | (95) | (98) |
| Total | \$ 129 | \$ 12 | \$ 99 | \$ 289 | \$ (60) |
| Depreciation and amortization | | | | | |
| Petrochemicals segment | \$ 62 | \$ 58 | \$ 59 | \$ 178 | \$ 171 |

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| | | | | | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Polymers segment | 13 | 13 | 13 | 40 | 43 |
| Unallocated | 6 | 5 | 5 | 16 | 16 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | \$ 81 | \$ 76 | \$ 77 | \$ 234 | \$ 230 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| EBITDA ^(b) | \$ 208 | \$ 87 | \$ 175 | \$ 519 | \$ 148 |

Sales Volumes (millions) ^(a)

| | | | | | |
|--|-------|-------|-------|--------|--------|
| Selected petrochemical products: | | | | | |
| Ethylene, propylene and other olefins (pounds) | 4,568 | 3,976 | 4,383 | 13,228 | 11,620 |
| Aromatics (gallons) | 99 | 96 | 80 | 272 | 288 |
| Polymers products (pounds) | 1,536 | 1,405 | 1,514 | 4,451 | 3,945 |

(a) Sales and other operating revenues and sales volumes include sales to affiliates.

(b) See Table 7 for reconciliation of Equistar's net income (loss) to EBITDA.

Table 15 - Equistar Unaudited Balance Sheet Information

| (Millions of dollars) | September 30, | December 31, |
|--|-----------------|-----------------|
| | 2004 | 2003 |
| Cash and cash equivalents | \$ 147 | \$ 199 |
| Accounts receivable, net ^(a) | 813 | 608 |
| Inventories | 497 | 408 |
| Prepaid expenses and other current assets | 34 | 46 |
| Total current assets | 1,491 | 1,261 |
| Property, plant and equipment, net | 3,198 | 3,334 |
| Investments | 60 | 60 |
| Other assets, net | 376 | 373 |
| Total assets | \$ 5,125 | \$ 5,028 |
| Accounts payable | \$ 581 | \$ 513 |
| Current maturities of long-term debt | 1 | |
| Accrued liabilities | 233 | 241 |
| Total current liabilities | 815 | 754 |
| Long-term debt | 2,312 | 2,314 |
| Other liabilities and deferred revenues | 380 | 359 |
| Partners' capital | 1,618 | 1,601 |
| Total liabilities and partners' capital | \$ 5,125 | \$ 5,028 |

(a) See Table 22 for accounts receivable sold.

Table 16 - Equistar Unaudited Cash Flow Information

| (Millions of dollars) | For the nine months ended | |
|--|---------------------------|----------|
| | September 30, | |
| | 2004 | 2003 |
| Net income (loss) | \$ 120 | \$ (235) |
| Adjustments: | | |
| Depreciation and amortization | 234 | 230 |
| Deferred maintenance turnaround expenditures | (55) | (65) |
| Deferred revenues | | 159 |
| Debt prepayment charges and premiums | | 19 |
| (Gain) loss on asset dispositions | (4) | 26 |
| Changes in assets and liabilities: | | |
| Accounts receivable ^{(a) (b)} | (205) | 56 |
| Inventories | (89) | (36) |
| Accounts payable | 80 | (8) |
| Accrued interest | (16) | (29) |

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| | | |
|---|----------------|---------------|
| Other assets and liabilities, net | 11 | (19) |
| Cash provided by operating activities | 76 | 98 |
| Expenditures for property, plant and equipment | (69) | (62) |
| Proceeds from sales of assets | 41 | 69 |
| Cash provided by (used in) investing activities | (28) | 7 |
| Net repayment under lines of credit | | 29 |
| Issuance of long-term debt | | 439 |
| Repayment of long-term debt | | (469) |
| Distributions to owners | (100) | |
| Other | | (3) |
| Cash used in financing activities | (100) | (4) |
| Increase (decrease) in cash and cash equivalents | \$ (52) | \$ 101 |

(a) See Table 22 for accounts receivable sold.

(b) In consideration of discounts offered to certain customers for early payment for product, some receivable amounts were collected in September 2004 and 2003 that otherwise would have been expected to be collected in October of the respective years. This included \$51 million and \$33 million from OCHC in September 2004 and 2003, respectively.

Table 17 - LCR Unaudited Income Statement Information

| (Millions of dollars) | For the three months ended | | | For the nine months ended | |
|---|----------------------------|---------------|---------------|---------------------------|---------------|
| | September 30, | | June 30, | September 30, | |
| | 2004 | 2003 | 2004 | 2004 | 2003 |
| Sales and other operating revenues ^(a) | \$ 1,546 | \$ 1,030 | \$ 1,339 | \$ 4,039 | \$ 3,118 |
| Cost of sales | 1,393 | 939 | 1,213 | 3,643 | 2,894 |
| Selling, general and administrative expenses | 14 | 14 | 15 | 45 | 42 |
| Operating income | 139 | 77 | 111 | 351 | 182 |
| Interest expense, net | (6) | (8) | (8) | (24) | (27) |
| Other income | 14 | | | 14 | |
| Net income ^(b) | \$ 147 | \$ 69 | \$ 103 | \$ 341 | \$ 155 |
| EBITDA ^(c) | \$ 182 | \$ 105 | \$ 139 | \$ 452 | \$ 267 |

(a) Sales and other operating revenues include sales to affiliates.

(b) As a partnership, LCR is not subject to federal income taxes.

(c) See Table 7 for reconciliation of LCR's net income to EBITDA.

Table 18 - LCR Operating Information

| | For the three months ended | | | For the nine months ended | |
|--|----------------------------|------|----------|---------------------------|------|
| | September 30, | | June 30, | September 30, | |
| | 2004 | 2003 | 2004 | 2004 | 2003 |
| Sales Volumes ^(a) | | | | | |
| Refined products (thousand barrels per day): | | | | | |
| Gasoline | 117 | 127 | 121 | 118 | 118 |
| Diesel and heating oil | 99 | 84 | 99 | 96 | 83 |
| Jet fuel | 20 | 18 | 14 | 17 | 18 |
| Aromatics | 9 | 7 | 9 | 9 | 8 |
| Other refined products | 99 | 91 | 87 | 92 | 90 |
| Total refined products volumes | 344 | 327 | 330 | 332 | 317 |
| Refinery Runs | | | | | |
| Crude processing rates (thousand barrels per day): | | | | | |
| Crude Supply Agreement | 243 | 229 | 233 | 238 | 223 |
| Other crude oil | 35 | 36 | 40 | 35 | 39 |
| Total crude oil | 278 | 265 | 273 | 273 | 262 |

(a) Sales volumes include sales to affiliates.

Table 19 - LCR Unaudited Balance Sheet Information

| (Millions of dollars) | September 30, | December 31, |
|--|-----------------|-----------------|
| | 2004 | 2003 |
| Total current assets | \$ 409 | \$ 316 |
| Property, plant and equipment, net | 1,209 | 1,240 |
| Other assets, net | 66 | 81 |
| Total assets | \$ 1,684 | \$ 1,637 |
| Current maturities of long-term debt | \$ 5 | \$ |
| Other current liabilities | 662 | 386 |
| Long-term debt | 444 | 450 |
| Loans payable to partners | 264 | 264 |
| Other liabilities | 105 | 114 |
| Partners' capital | 204 | 423 |
| Total liabilities and partners' capital | \$ 1,684 | \$ 1,637 |

Table 20 - LCR Unaudited Cash Flow Information

| (Millions of dollars) | For the nine months ended | |
|-------------------------------|---------------------------|--------|
| | September 30, | |
| | 2004 | 2003 |
| Cash flow from operations | \$ 522 | \$ 279 |
| Capital expenditures | 42 | 36 |
| Depreciation and amortization | 87 | 85 |

Table 21 - Reconciliation of Lyondell's Days of Working Capital

| (Millions of dollars) | September 30, 2004 | June 30, 2004 | December 31, 2003 |
|---|-----------------------|------------------|----------------------|
| Working Capital: ^(a) | | | |
| Accounts receivable | \$ 542 | \$ 497 | \$ 449 |
| Inventories | 369 | 327 | 347 |
| Accounts payable | (473) | (470) | (431) |
| Total | 438 | 354 | 365 |
| Add: Accounts receivable sold ^(b) | 75 | 75 | 75 |
| Adjusted working capital | \$ 513 | \$ 429 | \$ 440 |
| Days of Working Capital: | | | |
| Sales and other operating revenues for the three months ended | \$ 1,307 | \$ 1,161 | \$ 945 |
| Number of days in quarter | 92 | 91 | 92 |
| Sales per day | \$ 14.2 | \$ 12.8 | \$ 10.3 |
| Days of working capital ^(c) | 36 | 34 | 43 |

(a) Defined as the major controllable components of working capital - receivables, inventories and payables.

(b) Receivables sold are added back for consistency as such amounts are included in sales and in the sales per day calculation. Management believes that this provides useful information to investors because it reflects Lyondell's and Equistar's responsibility for administration and collection of said amounts.

(c) Days of working capital are calculated as adjusted working capital divided by sales per day.

Table 22 - Reconciliation of Equistar's Days of Working Capital

| (Millions of dollars) | September 30, 2004 | June 30, 2004 | December 31, 2003 |
|---|-----------------------|------------------|----------------------|
| Working Capital: ^(a) | | | |
| Accounts receivable ^(b) | \$ 813 | \$ 732 | \$ 608 |
| Inventories | 497 | 512 | 408 |
| Accounts payable | (581) | (571) | (513) |
| Total | 729 | 673 | 503 |
| Add: Accounts receivable sold ^(c) | 120 | 122 | 102 |
| Adjusted working capital | \$ 849 | \$ 795 | \$ 605 |
| Days of Working Capital: | | | |
| Sales and other operating revenues for the three months ended | \$ 2,439 | \$ 2,099 | \$ 1,665 |
| Number of days in quarter | 92 | 91 | 92 |
| Sales per day | \$ 26.5 | \$ 23.1 | \$ 18.1 |
| Days of working capital ^{(b) (d)} | 32 | 34 | 33 |

(a) Defined as the major controllable components of working capital - receivables, inventories and payables.

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- (b) In consideration of discounts offered to certain customers for early payment for product delivered in September 2004, some receivable amounts were collected in September 2004 that otherwise would have been expected to be collected in October 2004, including \$51 million from OCHC. Similarly, in June 2004 and December 2003, \$42 million and \$41 million, respectively, was received from OCHC. Had these early payments not been received, days of working capital would have been 34 days, 36 days and 36 days at September 30 and June 30, 2004 and December 31, 2003, respectively.
- (c) Receivables sold are added back for consistency as such amounts are included in sales and in the sales per day calculation. Management believes that this provides useful information to investors because it reflects Lyondell's and Equistar's responsibility for administration and collection of said amounts.
- (d) Days of working capital are calculated as adjusted working capital divided by sales per day.