

WESTLAKE CHEMICAL CORP
Form 10-Q
November 08, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission File No. 001-32260

Westlake Chemical Corporation
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)
2801 Post Oak Boulevard, Suite 600
Houston, Texas 77056
(Address of principal executive offices, including zip code)
(713) 960-9111
(Registrant's telephone number, including area code)

76-0346924
(I.R.S. Employer Identification Number)

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares outstanding of the registrant's sole class of common stock as of November 2, 2012 was 66,698,174.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WESTLAKE CHEMICAL CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2012	December 31, 2011
	(in thousands of dollars, except par values and share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	\$1,198,468	\$825,901
Accounts receivable, net	393,592	407,372
Inventories	371,537	490,777
Prepaid expenses and other current assets	14,472	12,495
Deferred income taxes	19,736	19,611
Total current assets	1,997,805	1,756,156
Property, plant and equipment, net	1,394,198	1,232,066
Equity investments	44,174	46,741
Restricted cash	—	96,283
Other assets, net	107,997	135,575
Total assets	\$3,544,174	\$3,266,821
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$199,438	\$227,034
Accrued liabilities	163,369	137,561
Total current liabilities	362,807	364,595
Long-term debt	763,731	764,563
Deferred income taxes	335,394	330,791
Other liabilities	48,814	50,560
Total liabilities	1,510,746	1,510,509
Commitments and contingencies (Notes 6 and 13)		
Stockholders' equity		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 150,000,000 shares authorized; 66,981,077 and 66,601,909 shares issued at September 30, 2012 and December 31, 2011, respectively	670	666
Common stock, held in treasury, at cost; 284,493 and 69,816 shares at September 30, 2012 and December 31, 2011, respectively	(13,302	) (2,518
Additional paid-in capital	486,852	467,796
Retained earnings	1,567,371	1,299,438
Accumulated other comprehensive loss	(8,163	) (9,070
Total stockholders' equity	2,033,428	1,756,312
Total liabilities and stockholders' equity	\$3,544,174	\$3,266,821

The accompanying notes are an integral part of these consolidated financial statements.

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WESTLAKE CHEMICAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2012	2011	2012	2011
	(in thousands of dollars, except per share data and share amounts)			
Net sales	\$821,175	\$968,372	\$2,770,000	\$2,760,673
Cost of sales	648,996	821,305	2,223,288	2,278,927
Gross profit	172,179	147,067	546,712	481,746
Selling, general and administrative expenses	29,662	29,736	87,592	85,409
Income from operations	142,517	117,331	459,120	396,337
Other income (expense)				
Interest expense	(11,934	) (12,727	) (35,682	) (38,449
Debt retirement costs	(7,082	) —	(7,082) —
Gain from sales of equity securities	477	—	16,429	—
Other income, net	1,222	1,457	3,676	4,296
Income before income taxes	125,200	106,061	436,461	362,184
Provision for income taxes	38,236	38,131	146,183	129,661
Net income	\$86,964	\$67,930	\$290,278	\$232,523
Earnings per share:				
Basic	\$1.30	\$1.02	\$4.36	\$3.50
Diluted	\$1.30	\$1.01	\$4.33	\$3.48
Weighted average shares outstanding:				
Basic	66,311,958	66,012,102	66,240,225	65,919,892
Diluted	66,656,760	66,381,932	66,621,520	66,307,604
Dividends per common share	\$0.1875	\$0.0738	\$0.3350	\$0.2008

The accompanying notes are an integral part of these consolidated financial statements.

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WESTLAKE CHEMICAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in thousands of dollars)			
Net income	\$86,964	\$67,930	\$290,278	\$232,523
Other comprehensive income (loss)				
Pension and other post-retirement benefits liability				
Pension and other post-retirement reserves adjustment (excluding amortization)	72	—	142	—
Amortization of benefits liability	584	471	1,747	1,395
Income tax provision on pension and other post-retirement benefits liability	(252	) (185	) (725	) (548
Foreign currency translation adjustments	865	(1,054	) 928	(730
Reclassification of net cash flow hedge losses to net income	521	—	—	—
Available-for-sale investments				
Unrealized holding gains (losses) on investments	339	(6,659	) 14,582	(6,659
Income tax provision on unrealized holding gains	(121	) —	(5,229) —
Reclassification of net realized gain to net income	(306	) —	(10,538) —
Other comprehensive income (loss)	1,702	(7,427	) 907	(6,542
Comprehensive income	\$88,666	\$60,503	\$291,185	\$225,981

The accompanying notes are an integral part of these consolidated financial statements.

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WESTLAKE CHEMICAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
	(in thousands of dollars)	
Cash flows from operating activities		
Net income	\$290,278	\$232,523
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	109,601	98,244
(Recovery of) provision for doubtful accounts	(536)	) 917
Amortization of debt issuance costs	1,149	1,289
Stock-based compensation expense	4,640	4,762
Loss from disposition of fixed assets	1,945	1,022
Gain from sales of equity securities	(16,429)) —
Impairment of long-lived assets	—	1,975
Write-off of debt issuance costs	1,277	—
Deferred income taxes	4,385	19,435
Equity in loss (income) of joint ventures	2,567	(2,443)
Changes in operating assets and liabilities		
Accounts receivable	13,732	(100,524)
Inventories	119,240	(16,220)
Prepaid expenses and other current assets	(1,977)	) 4,039
Accounts payable	(35,651)	) (9,558)
Accrued liabilities	20,077	14,330
Other, net	(13,675)	) (5,438)
Net cash provided by operating activities	500,623	244,353
Cash flows from investing activities		
Additions to property, plant and equipment	(235,463)	) (111,823)
Construction of assets pending sale-leaseback	(5,484)) —
Proceeds from disposition of assets	435	2,456
Proceeds from repayment of loan to affiliate	763	763
Proceeds from sales of equity securities	47,655	—
Purchase of investments	(2,961)	) (29,877)
Settlements of derivative instruments	471	(331)
Net cash used for investing activities	(194,584)	) (138,812)
Cash flows from financing activities		
Capitalized debt issuance costs	(2,221)	) (2,540)
Dividends paid	(22,345)	) (13,359)
Proceeds from borrowings	248,818	—
Proceeds from exercise of stock options	6,627	5,323
Repayment of borrowings	(250,000)) —
Repurchase of common stock for treasury	(10,784)	) (19)
Utilization of restricted cash	96,433	33,694
Net cash provided by financing activities	66,528	23,099
Net increase in cash and cash equivalents	372,567	128,640
Cash and cash equivalents at beginning of period	825,901	630,299

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Cash and cash equivalents at end of period	\$1,198,468	\$758,939
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The accompanying notes are an integral part of these consolidated financial statements.

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WESTLAKE CHEMICAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(in thousands of dollars, except share amounts and per share data)

1. Basis of Financial Statements

The accompanying unaudited consolidated interim financial statements were prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim periods. Accordingly, certain information and footnotes required for complete financial statements under generally accepted accounting principles in the United States have not been included. These interim consolidated financial statements should be read in conjunction with the December 31, 2011 financial statements and notes thereto of Westlake Chemical Corporation (the "Company") included in the annual report on Form 10-K for the fiscal year ended December 31, 2011, filed with the SEC on February 23, 2012. These financial statements have been prepared in conformity with the accounting principles and practices as disclosed in the notes to the consolidated financial statements of the Company for the fiscal year ended December 31, 2011.

In the opinion of the Company's management, the accompanying unaudited consolidated interim financial statements reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair statement of the Company's financial position as of September 30, 2012, its results of operations for the three and nine months ended September 30, 2012 and 2011 and the changes in its cash position for the nine months ended September 30, 2012 and 2011.

Results of operations and changes in cash position for the interim periods presented are not necessarily indicative of the results that will be realized for the year ending December 31, 2012 or any other interim period. The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Recent Accounting Pronouncements

Fair Value Measurement

In May 2011, the Financial Accounting Standards Board ("FASB") issued an accounting standards update changing some fair value measurement principles, such as by prohibiting the application of a blockage factor in fair value measurements and only requiring the application of the highest and best use concept when measuring nonfinancial assets. The accounting guidance requires, for recurring Level 3 fair value measurements, disclosure of quantitative information about unobservable inputs used, a description of the valuation processes used and a qualitative discussion about the sensitivity of the measurements. The accounting guidance further requires new disclosures about the use of a nonfinancial asset measured or disclosed at fair value if its use differs from its highest and best use. In addition, entities must report the fair value hierarchy level of assets and liabilities not recorded at fair value but where fair value is disclosed. The Company adopted the new fair value measurement guidance as of January 1, 2012, and the adoption did not have a material impact on the Company's consolidated financial position or results of operations.

Presentation of Other Comprehensive Income

In June 2011, the FASB issued an accounting standards update on the presentation of other comprehensive income. The new accounting guidance eliminates the option to report other comprehensive income and its components in the statement of changes in stockholders' equity. The new standard allows companies to present net income and other comprehensive income either in one continuous statement or in two separate, but consecutive, statements. The FASB issued another accounting standards update on the presentation of other comprehensive income in December 2011, deferring the effective date for amendments to the presentation of reclassification adjustments of items out of accumulated other comprehensive income. In the interim, reclassifications out of accumulated other comprehensive income should be presented consistent with the current presentation requirements. All other requirements of the June 2011 accounting standards update are not affected by the December 2011 update. With the exception of the presentation of reclassification adjustments of items out of accumulated other comprehensive income, the Company adopted the guidance pertaining to the presentation of other comprehensive income as of January 1, 2012, and the

adoption did not have an impact on the Company's consolidated financial position or results of operations.

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WESTLAKE CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

(in thousands of dollars, except share amounts and per share data)

Testing Goodwill for Impairment

In September 2011, the FASB issued an accounting standards update to simplify how entities test goodwill for impairment. The new accounting guidance provides an entity with an option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test under current accounting guidance. If an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test. Also under this new accounting guidance, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test, but may resume performing the qualitative assessment in any subsequent period. The Company adopted the new goodwill impairment test guidance as of January 1, 2012, and the adoption did not have a material impact on the Company's consolidated financial position or results of operations.

Disclosures about Offsetting Assets and Liabilities

In December 2011, the FASB issued an accounting standards update on disclosures for offsetting assets and liabilities. The new accounting guidance requires companies to disclose both gross and net information about (1) instruments and transactions eligible for offset in the statement of financial position, and (2) instruments and transactions subject to an agreement similar to a master netting arrangement. The accounting standards update will be effective for reporting periods beginning on or after January 1, 2013 and is not expected to have an impact on the Company's consolidated financial position or results of operations.

Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued an accounting standards update to simplify how entities test indefinite-lived intangible assets for impairment and to improve consistency in impairment testing guidance among long-lived asset categories. The new accounting guidance provides an entity with an option to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test under current accounting guidance. If an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount in accordance with current accounting guidance. Also under this new accounting guidance, an entity has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test, but may resume performing the qualitative assessment in any subsequent period. The Company will adopt the new indefinite-lived intangible assets test guidance for the quarter ending March 31, 2013, but it is not expected to have a material impact on the Company's consolidated financial position or results of operations.

2. Accounts Receivable

Accounts receivable consist of the following:

	September 30, 2012	December 31, 2011
Trade customers	\$375,389	\$391,401
Affiliates	226	122
Allowance for doubtful accounts	(10,487	) (10,969
	365,128	380,554
Federal and state taxes	13,151	16,113
Other	15,313	10,705

Accounts receivable, net	\$393,592	\$407,372
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WESTLAKE CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

(in thousands of dollars, except share amounts and per share data)

3. Inventories

Inventories consist of the following:

	September 30, 2012	December 31, 2011
Finished products	\$ 174,724	\$ 234,830
Feedstock, additives and chemicals	144,140	207,899
Materials and supplies	52,673	48,048
Inventories	\$ 371,537	\$ 490,777

4. Property, Plant and Equipment

As of September 30, 2012, the Company had property, plant and equipment totaling \$1,394,198. The Company assesses these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, including when negative conditions such as significant current or projected operating losses exist. Other factors considered by the Company when determining if an impairment assessment is necessary include significant changes or projected changes in supply and demand fundamentals (which would have a negative impact on operating rates or margins), new technological developments, new competitors with significant raw material or other cost advantages, adverse changes associated with the U.S. and world economies and uncertainties associated with governmental actions. Long-lived assets assessed for impairment are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

Construction of assets pending sale-leaseback included in property, plant and equipment, net in the consolidated balance sheet at September 30, 2012 was \$5,484 and pertained to the construction of transportation equipment.

Depreciation expense on property, plant and equipment of \$30,055 and \$27,623 is included in cost of sales in the consolidated statements of operations for the three months ended September 30, 2012 and 2011, respectively.

Depreciation expense on property, plant and equipment of \$90,615 and \$82,423 is included in cost of sales in the consolidated statements of operations for the nine months ended September 30, 2012 and 2011, respectively.

5. Other Assets

There were no investments reflected in other assets, net in the consolidated balance sheet at September 30, 2012 as the Company completed the liquidation of its holdings of equity securities during the third quarter of 2012. Investments reflected in other assets, net at December 31, 2011 was \$30,113. These investments in equity securities were classified as available-for-sale.

The cost, gross unrealized gains, gross unrealized losses and fair value of the Company's available-for-sale investments at December 31, 2011 were as follows:

	December 31, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses ⁽¹⁾	Fair Value
Available-for-sale equity securities	\$28,265	\$ 1,981	\$(133)	\$ 30,113

(1) All unrealized loss positions were held at a loss for less than 12 months.

As of December 31, 2011, an unrealized gain of \$1,185, net of income tax expense of \$663, was recorded in accumulated other comprehensive income. See Note 9 for the fair value hierarchy of the Company's available-for-sale equity securities.

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WESTLAKE CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

(in thousands of dollars, except share amounts and per share data)

The proceeds from sales of available-for-sale equity securities and the gross realized gains included in the consolidated statements of operations are reflected in the table below. The cost of securities sold was determined using the specific identification method.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Proceeds from sales of available-for-sale equity securities	\$ 1,628	\$—	\$47,655	\$—
Gross realized gains	\$477	\$—	\$ 16,429	\$—

Amortization expense on other assets of \$8,717 and \$5,664 is included in the consolidated statements of operations for the three months ended September 30, 2012 and 2011, respectively. Amortization expense on other assets of \$20,135 and \$17,110 is included in the consolidated statements of operations for the nine months ended September 30, 2012 and 2011, respectively.

6. Long-Term Debt

Long-term debt consists of the following:

	September 30,	December 31,
	2012	2011
6 ⁵ / ₈ % senior notes due 2016	\$—	\$249,674
3.60% senior notes due 2022	248,842	—
6 ¹ / ₂ % senior notes due 2029	100,000	100,000
6 ³ / ₄ % senior notes due 2032	250,000	250,000
6 ¹ / ₂ % senior notes due 2035 (the "6/2% GO Zone Senior Notes Due 2035")	89,000	89,000
6 ¹ / ₂ % senior notes due 2035 (the "6/2% IKE Zone Senior Notes Due 2035 ")	65,000	65,000
Loan related to tax-exempt waste disposal revenue bonds due 2027	10,889	10,889
Long-term debt	\$763,731	\$764,563

3.60% Senior Notes due 2022 and 6 ⁵/₈% Senior Notes due 2016

On July 17, 2012, the Company issued \$250,000 aggregate principal amount of its 3.60% senior notes due 2022 (the "2022 Notes"). On July 30, 2012, the Company voluntarily redeemed all \$250,000 aggregate principal amount of its 6 ⁵/₈% senior notes due 2016 (the "2016 Notes") at a redemption price of 102.208% of the principal amount, plus accrued and unpaid interest to the redemption date. The Company used the net proceeds from the issuance of the 2022 Notes, plus cash on hand, to pay the redemption price of the 2016 Notes. As a result of the early redemption of the 2016 Notes, the Company recognized \$7,082 in non-operating expense in the third quarter of 2012 consisting primarily of a pre-payment premium of \$5,520 and a write-off of \$1,277 in previously capitalized debt issuance costs. The 2022 Notes are unsecured and were issued with an original issue discount of \$1,183. There is no sinking fund and no scheduled amortization of the 2022 Notes prior to maturity. The Company may optionally redeem the 2022 Notes at any time and from time to time prior to April 15, 2022 (three months prior to the maturity date) for 100% of the principal plus accrued interest and a discounted "make whole" payment of remaining unpaid principal and interest payments. On or after April 15, 2022, the Company may optionally redeem the 2022 Notes for 100% of the principal plus accrued interest. The holders of the 2022 Notes may require the Company to repurchase the 2022 Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase, upon the occurrence of both a "change of control" and, within 60 days of such change of control, a "below investment grade rating event" (as such terms are defined in the indenture governing the 2022 Notes). All domestic subsidiaries of the Company that guarantee other indebtedness of the Company or of another guarantor of the 2022 Notes in excess of \$5,000 are guarantors of the 2022 Notes.

The indenture governing the 2022 Notes contains customary events of default and covenants that will restrict the Company's and certain of its subsidiaries' ability to (1) incur certain secured indebtedness, (2) engage in certain

sale-leaseback transactions and (3) consolidate, merge or transfer all or substantially all of the Company's assets.

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WESTLAKE CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

(in thousands of dollars, except share amounts and per share data)

Revolving Credit Facility

The Company has a \$400,000 senior secured revolving credit facility. At September 30, 2012, the Company had no borrowings outstanding under the revolving credit facility. Any borrowings under the facility will bear interest at either LIBOR plus a spread ranging from 1.75% to 2.25% or a base rate plus a spread ranging from 0.25% to 0.75%. The revolving credit facility also requires an unused commitment fee of 0.375% per annum. All interest rates under the facility are subject to monthly grid pricing adjustments based on prior month average daily loan availability. The revolving credit facility matures on September 16, 2016. As of September 30, 2012, the Company had outstanding letters of credit totaling \$16,214 and borrowing availability of \$365,865 under the revolving credit facility.

7. Stock-Based Compensation

Under the Westlake Chemical Corporation 2004 Omnibus Incentive Plan (the "2004 Plan"), all employees and nonemployee directors of the Company, as well as certain individuals who have agreed to become the Company's employees, are eligible for awards. Shares of common stock may be issued as authorized in the 2004 Plan. At the discretion of the administrator of the 2004 Plan, employees and nonemployee directors may be granted awards in the form of stock options, stock appreciation rights, stock awards or cash awards (any of which may be a performance award). Total stock-based compensation expense related to the 2004 Plan was \$1,515 and \$1,636 for the three months ended September 30, 2012 and 2011, respectively, and \$4,640 and \$4,762 for the nine months ended September 30, 2012 and 2011, respectively.

8. Derivative Instruments

Commodity Risk Management

The Company uses derivative instruments to reduce price volatility risk on raw materials and products as a substantial portion of its raw materials and products are commodities whose prices fluctuate as market supply and demand fundamentals change. Business strategies to protect against such instability include ethylene product feedstock flexibility and moving downstream into the olefins and vinyls products where pricing is more stable. The Company does not use derivative instruments to engage in speculative activities.

For derivative instruments that are designated and qualify as fair value hedges, the gains or losses on the derivative instruments, as well as the offsetting losses or gains on the hedged items attributable to the hedged risk, were included in cost of sales in the consolidated statements of operations for the three and nine months ended September 30, 2012 and 2011. As of September 30, 2012, the Company had 53,550,000 gallons of feedstock forward contracts designated as fair value hedges.

Gains and losses from changes in the fair value of derivative instruments that are not designated as hedging instruments were included in cost of sales in the consolidated statements of operations for the three and nine months ended September 30, 2012 and 2011.

The exposure on commodity derivatives used for price risk management includes the risk that the counterparty will not pay if the market declines below the established fixed price. In such case, the Company would lose the benefit of the derivative differential on the volume of the commodities covered. In any event, the Company would continue to receive the market price on the actual volume hedged. The Company also bears the risk that it could lose the benefit of market improvements over the fixed derivative price for the term and volume of the derivative instruments (as such improvements would accrue to the benefit of the counterparty).

Interest Rate Risk Management

In order to manage its interest rate risk, the Company may enter into Treasury lock agreements to fix the Treasury yield component of the interest cost associated with anticipated financings and designate these Treasury locks as cash flow hedges.

During June and July 2012, the Company entered into several Treasury lock agreements to fix the Treasury yield component of the interest cost of financing the issuance of senior notes. The Company refinanced all \$250,000 aggregate principal amount of the 2016 Notes through the issuance of \$250,000 aggregate principal amount of the

2022 Notes in July 2012. Also in July 2012, the Company settled all Treasury lock agreements associated with the issuance of the 2022 Notes with an aggregate payment of \$1,940 to the counterparties due to a decrease in the 10-year Treasury rates between inception and settlement of the Treasury lock agreements.

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WESTLAKE CHEMICAL CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
 (Unaudited)
 (in thousands of dollars, except share amounts and per share data)

The fair values of derivative instruments in the Company's consolidated balance sheets were as follows:

Asset Derivatives			
	Balance Sheet Location	Fair Value as of September 30, 2012	December 31, 2011
Designated as hedging instruments			
Commodity forward contracts	Accounts receivable, net	\$8,630	\$—
Not designated as hedging instruments			
Commodity forward contracts	Accounts receivable, net	1,213	2,437
Total asset derivatives		\$9,843	\$2,437
Liability Derivatives			
	Balance Sheet Location	Fair Value as of September 30, 2012	December 31, 2011
Designated as hedging instruments			
Commodity forward contracts	Accrued liabilities	\$1,019	\$3,262
Not designated as hedging instruments			
Commodity forward contracts	Accrued liabilities	1,873	973
Total liability derivatives		\$2,892	\$4,235

The following tables reflect the impact of derivative instruments designated as fair value hedges and the related hedged item on the Company's consolidated statements of operations. For the three and nine months ended September 30, 2012, there was no material ineffectiveness with regard to the Company's qualifying fair value hedges.

Derivatives in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivative	Three Months Ended September 30,		Nine Months Ended September 30,	
		2012	2011	2012	2011
Commodity forward contracts	Cost of sales	\$(515)	\$(1,780)	\$12,345	\$(1,780)

Hedged Items in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income on Hedged Items	Three Months Ended September 30,		Nine Months Ended September 30,	
		2012	2011	2012	2011
Firm commitment designated as the hedged item	Cost of sales	\$515	\$1,780	\$(13,546)	\$1,780

The following table reflects the impact of derivative instruments designated as cash flow hedges on the Company's consolidated statements of operations for the three and nine months ended September 30, 2012.

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income	Three Months Ended September 30,		Nine Months Ended September 30,	
		2012	2011	2012	2011
Treasury lock agreements	Interest expense	\$(813)	\$—	\$(813)	\$—

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The impact of derivative instruments that have not been designated as hedges on the Company's consolidated statements of operations were as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months Ended September 30,		Nine Months Ended September 30,	
		2012	2011	2012	2011
Commodity forward contracts	Cost of sales	\$249	\$371	\$(783)	\$838

See Note 9 for the fair value of the Company's derivative instruments.

9. Fair Value Measurements

The Company reports certain assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Under the accounting guidance for fair value measurements, inputs used to measure fair value are classified in one of three levels:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The following tables summarize, by level within the fair value hierarchy, the Company's assets and liabilities that were accounted for at fair value on a recurring basis:

	September 30, 2012		
	Level 1	Level 2	Total
Derivative instruments			
Risk management assets - Commodity forward contracts	\$1,213	\$8,630	\$9,843
Risk management liabilities - Commodity forward contracts	—	(2,892)	(2,892)
Firm commitments			
Hedged portion of firm commitment	—	1,019	1,019
Hedged portion of firm commitment	—	(8,630)	(8,630)
	December 31, 2011		
	Level 1	Level 2	Total
Derivative instruments			
Risk management assets - Commodity forward contracts	\$1,090	\$1,347	\$2,437
Risk management liabilities - Commodity forward contracts	—	(4,235)	(4,235)
Firm commitments			
Hedged portion of firm commitment	—	3,262	3,262
Marketable securities			
Available-for-sale equity securities	30,113	—	30,113

The Level 2 measurements are derived using forward curves supplied by industry recognized and unrelated third-party services. There were no transfers in and out of Levels 1 and 2 of the fair value hierarchy for the nine months ended September 30, 2012 and 2011.

In addition to the financial assets and liabilities above, the Company has other financial assets and liabilities subject to fair value measures. These financial assets and liabilities include cash and cash equivalents, accounts receivable, net, accounts payable and long-term debt, all of which are recorded at carrying value. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, net and accounts payable approximate their fair value due to the short maturities of these instruments. The carrying and fair values of the Company's long-term debt are summarized in the table below. The Company's long-term debt instruments are publicly-traded. A market approach, based upon quotes from

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financial reporting services, is used to measure the fair value of the Company's long-term debt. Because the Company's long-term debt instruments may not be actively traded, the inputs used to measure the fair value of the Company's long-term debt are classified as Level 2 inputs within the fair value hierarchy.

	September 30, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
6 ⁵ / ₈ % senior notes due 2016	\$—	\$—	\$249,674	\$254,890
3.60% senior notes due 2022	248,842	253,738	—	—
6 ¹ / ₂ % senior notes due 2029	100,000	115,619	100,000	108,834
6 ³ / ₄ % senior notes due 2032	250,000	288,515	250,000	263,988
6 ¹ / ₂ % GO Zone Senior Notes Due 2035	89,000	103,031	89,000	93,090
6 ¹ / ₂ % IKE Zone Senior Notes Due 2035	65,000	75,247	65,000	67,987
Loan related to tax-exempt waste disposal revenue bonds due 2027	10,889	10,889	10,889	10,889

10. Income Taxes

The effective income tax rate was 33.5% for the nine months ended September 30, 2012. The effective income tax rate for the 2012 period was below the U.S. federal statutory rate of 35.0% primarily due to state tax credits and the domestic manufacturing deduction, partially offset by state income taxes. The effective income tax rate was 35.8% for the nine months ended September 30, 2011. The effective income tax rate for the 2011 period was above the U.S. federal statutory rate of 35.0% primarily due to state income taxes, partially offset by the domestic manufacturing deduction.

Management anticipates no material reductions to the total amount of unrecognized tax benefits within the next twelve months.

The Company recognizes penalties and interest accrued related to unrecognized tax benefits in income tax expense. As of September 30, 2012, the Company had no material accrued interest and penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal jurisdiction, various states and foreign jurisdictions. The Company is no longer subject to examinations by tax authorities before the year 2005. In January 2012, the Internal Revenue Service completed the audit of the Company for the 2009 tax year with no assessment.

11. Earnings per Share

The Company has unvested shares of restricted stock outstanding that are considered participating securities and, therefore, computes basic and diluted earnings per share under the two-class method. Basic earnings per share for the periods are based upon the weighted average number of shares of common stock outstanding during the periods.

Diluted earnings per share include the effect of certain stock options.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income	\$86,964	\$67,930	\$290,278	\$232,523
Less:				
Net income attributable to participating securities	(452	) (598	) (1,682	) (2,087
Net income attributable to common shareholders	\$86,512	\$67,332	\$288,596	\$230,436

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The following table reconciles the denominator for the basic and diluted earnings per share computations shown in the consolidated statements of operations:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Weighted average common shares—basic	66,311,958	66,012,102	66,240,225	65,919,892
Plus incremental shares from:				
Assumed exercise of options	344,802	369,830	381,295	387,712
Weighted average common shares—diluted	66,656,760	66,381,932	66,621,520	66,307,604

Earnings per share:

Basic	\$1.30	\$1.02	\$4.36	\$3.50
Diluted	\$1.30	\$1.01	\$4.33	\$3.48

Excluded from the computation of diluted earnings per share are options to purchase 168,362 and 99,592 shares of common stock for the three months ended September 30, 2012 and 2011, respectively, and 293,062 and 151,923 shares of common stock for the nine months ended September 30, 2012 and 2011, respectively. These options were outstanding during the periods reported but were excluded because the option exercise price was greater than the average market price of the shares.

12. Pension and Post-Retirement Benefit Costs

Components of net periodic benefit cost are as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	Pension		Post-retirement Healthcare		Pension		Post-retirement Healthcare	
	2012	2011	2012	2011	2012	2011	2012	2011
Service cost	\$250	\$224	\$2	\$4	\$754	\$705	\$7	\$12
Interest cost	645	681	185	209	1,936	2,042	555	628
Expected return on plan assets	(623)	(570)	—	—	(1,867)	(1,709)	—	—
Amortization of transition obligation	—	—	—	28	—	—	—	85
Amortization of prior service cost	74	74	21	47	223	223	63	140
Amortization of net loss	445	322	44	28	1,329	948	132	84
Net periodic benefit cost	\$791	\$731	\$252	\$316	\$2,375	\$2,209	\$757	\$949

The Company contributed \$2,283 and \$1,692 to the Salaried pension plan in the first nine months of 2012 and 2011, respectively, and contributed \$1,542 and \$1,362 to the Wage pension plan in the first nine months of 2012 and 2011, respectively. The Company expects to make additional contributions of \$579 to the Salaried pension plan and \$381 to the Wage pension plan during the year ending December 31, 2012.

13. Commitments and Contingencies

The Company is subject to environmental laws and regulations that can impose civil and criminal sanctions and that may require it to mitigate the effects of contamination caused by the release or disposal of hazardous substances into the environment. Under one law, an owner or operator of property may be held strictly liable for remediating contamination without regard to whether that person caused the contamination, and without regard to whether the practices that resulted in the contamination were legal at the time they occurred. Because several of the Company's production sites have a history of industrial use, it is impossible to predict precisely what effect these legal requirements will have on the Company.

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Contract Disputes with Goodrich and PolyOne. In connection with the 1990 and 1997 acquisitions of the Goodrich Corporation (“Goodrich”) chemical manufacturing complex in Calvert City, Kentucky, Goodrich agreed to indemnify the Company for any liabilities related to preexisting contamination at the complex. For its part, the Company agreed to indemnify Goodrich for post-closing contamination caused by the Company’s operations. The soil and groundwater at the complex, which does not include the Company’s nearby PVC facility, had been extensively contaminated under Goodrich’s operations. In 1993, Goodrich spun off the predecessor of PolyOne Corporation (“PolyOne”), and that predecessor assumed Goodrich’s indemnification obligations relating to preexisting contamination.

In 2003, litigation arose among the Company, Goodrich and PolyOne with respect to the allocation of the cost of remediating contamination at the site. The parties settled this litigation in December 2007 and the case was dismissed. In the settlement the parties agreed that, among other things: (1) PolyOne would pay 100% of the costs (with specified exceptions), net of recoveries or credits from third parties, incurred with respect to environmental issues at the Calvert City site from August 1, 2007 forward; (2) either the Company or PolyOne might, from time to time in the future (but not more than once every five years), institute an arbitration proceeding to adjust that percentage; and (3) the Company and PolyOne would negotiate a new environmental remediation utilities and services agreement to cover the Company’s provision to or on behalf of PolyOne of certain environmental remediation services at the site. The current environmental remediation activities at the Calvert City complex do not have a specified termination date but are expected to last for the foreseeable future. The costs incurred by PolyOne to provide the environmental remediation services were \$3,287 in 2011. On March 17, 2010, the Company received notice of PolyOne’s intention to commence an arbitration proceeding under the settlement agreement. In this proceeding, PolyOne seeks to readjust the percentage allocation of costs and to recover approximately \$1,400 from the Company in reimbursement of previously paid remediation costs. The arbitration is currently stayed.

Administrative Proceedings. There are several administrative proceedings in Kentucky involving the Company, Goodrich and PolyOne related to the same manufacturing complex in Calvert City. In 2003, the Kentucky Environmental and Public Protection Cabinet (the “Cabinet”) re-issued Goodrich’s Resource Conservation and Recovery Act (“RCRA”) permit which requires Goodrich to remediate contamination at the Calvert City manufacturing complex. Both Goodrich and PolyOne challenged various terms of the permit in an attempt to shift Goodrich’s clean-up obligations under the permit to the Company. The Company intervened in the proceedings. The Cabinet has suspended all corrective action under the RCRA permit in deference to a remedial investigation and feasibility study (“RIFS”) being conducted pursuant to an Administrative Settlement Agreement (“AOC”), which became effective on December 9, 2009. See “Change in Regulatory Regime” below. The proceedings have been postponed. Periodic status conferences will be held to evaluate whether additional proceedings will be required. On September 19, 2011, the Company filed a motion to dismiss the proceedings, which was denied on December 29, 2011.

Change in Regulatory Regime. In May 2009, the Cabinet sent a letter to the U.S. Environmental Protection Agency (“EPA”) requesting the EPA’s assistance in addressing contamination at the Calvert City site under the U.S. Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”). In its response to the Cabinet also in May 2009, the EPA stated that it concurred with the Cabinet’s request and would incorporate work previously conducted under the Cabinet’s RCRA authority into the EPA’s cleanup efforts under CERCLA. Since 1983, the EPA has been addressing contamination at an abandoned landfill adjacent to the Company’s plant which had been operated by Goodrich and which was being remediated pursuant to CERCLA. During the past two years, the EPA has directed Goodrich and PolyOne to conduct additional investigation activities at the landfill and at the Company’s plant. In June 2009, the EPA notified the Company that the Company may have potential liability under section 107(a) of CERCLA at its plant site. Liability under section 107(a) of CERCLA is strict and joint and several. The EPA also identified Goodrich and PolyOne, among others, as potentially responsible parties at the plant site. The Company negotiated, in conjunction with the other potentially responsible parties, the AOC and an order to conduct the RIFS. The parties submitted and received EPA approval for a RIFS work plan to implement the AOC. The parties are

currently conducting the RIFS.

Monetary Relief. Except as noted above with respect to the settlement of the contract litigation among the Company, Goodrich and PolyOne, none of the court, the Cabinet nor the EPA has established any allocation of the costs of remediation among the various parties that are involved in the judicial and administrative proceedings discussed above. At this time, the Company is not able to estimate the loss or reasonable possible loss, if any, on the Company's financial statements that could result from the resolution of these proceedings. Any cash expenditures that the Company might incur in the future with respect to the remediation of contamination at the complex would likely be spread out over an extended period. As a result, the Company believes it is unlikely that any remediation costs allocable to it will be material in terms of expenditures made in any individual reporting period.

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EPA Audit of Ethylene Units in Lake Charles. During 2007, the EPA conducted an audit of the Company's ethylene units in Lake Charles, Louisiana, with a focus on leak detection and repair, or LDAR. As a result of the audit, the EPA brought allegations that the Company had violated certain environmental laws and regulations pertaining to LDAR. The Company has agreed to settle this matter, subject to court approval, by paying a cash penalty of \$500 and has recorded an accrual in such amount.

In addition to the matters described above, the Company is involved in various routine legal proceedings incidental to the conduct of its business. The Company does not believe that any of these routine legal proceedings will have a material adverse effect on its financial condition, results of operations or cash flows.

14. Segment Information

The Company operates in two principal business segments: Olefins and Vinyls. These segments are strategic business units that offer a variety of different products. The Company manages each segment separately as each business requires different technology and marketing strategies.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net external sales				
Olefins				
Polyethylene	\$431,614	\$444,077	\$1,275,057	\$1,358,631
Ethylene, styrene and other	108,171	251,597	669,718	587,438
Total Olefins	539,785	695,674	1,944,775	1,946,069
Vinyls				
PVC, caustic soda and other	191,310	198,046	569,316	583,214
Building products	90,080	74,652	255,909	231,390
Total Vinyls	281,390	272,698	825,225	814,604
	\$821,175	\$968,372	\$2,770,000	\$2,760,673
Intersegment sales				
Olefins	\$76,771	\$109,140	\$247,671	\$327,584
Vinyls	391	376	1,167	1,100
	\$77,162	\$109,516	\$248,838	\$328,684
Income (loss) from operations				
Olefins	\$124,452	\$105,353	\$409,550	\$383,376
Vinyls	24,059	16,123	67,724	23,565
Corporate and other	(5,994)	(4,145)	(18,154)	(10,604)
	\$142,517	\$117,331	\$459,120	\$396,337
Depreciation and amortization				
Olefins	\$27,070	\$21,746	\$74,903	\$64,998
Vinyls	11,232	10,967	34,330	32,782
Corporate and other	122	148	368	464
	\$38,424	\$32,861	\$109,601	\$98,244

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Other income (expense), net				
Olefins	\$806	\$949	\$2,764	\$2,033
Vinyls	146	(303)	) 115	179
Corporate and other	270	811	797	2,084
	\$1,222	\$1,457	\$3,676	\$4,296
Provision for (benefit from) income taxes				
Olefins	\$36,092	\$34,867	\$130,612	\$128,405
Vinyls	6,556	5,277	18,989	5,847
Corporate and other	(4,412)	) (2,013)	) (3,418)	) (4,591)
	\$38,236	\$38,131	\$146,183	\$129,661
Capital expenditures				
Olefins	\$46,867	\$26,570	\$92,168	\$59,969
Vinyls	47,001	15,447	139,836	50,454
Corporate and other	1,027	628	3,459	1,400
	\$94,895	\$42,645	\$235,463	\$111,823
A reconciliation of total segment income from operations to consolidated income before income taxes is as follows:				
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Income from operations	\$142,517	\$117,331	\$459,120	\$396,337
Interest expense	(11,934)	) (12,727)	) (35,682)	) (38,449)
Debt retirement costs	(7,082)	) —	(7,082)) —
Gain from sales of equity securities	477	—	16,429	—
Other income, net	1,222	1,457	3,676	4,296
Income before income taxes	\$125,200	\$106,061	\$436,461	\$362,184
			September	December 31,
			30, 2012	2011
Total assets				
Olefins			\$1,355,157	\$1,441,752
Vinyls			956,665	824,825
Corporate and other			1,232,352	1,000,244
			\$3,544,174	\$3,266,821

15. Subsequent Events

Subsequent events were evaluated through the date on which the financial statements were issued.

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16. Guarantor Disclosures

The Company's payment obligations under the 2022 Notes are fully and unconditionally guaranteed by each of its current and future domestic subsidiaries that guarantee other debt of the Company or of another guarantor of the 2022 Notes in excess of \$5,000 (the "Guarantor Subsidiaries"). Each Guarantor Subsidiary is 100% owned by Westlake Chemical Corporation. These guarantees are the joint and several obligations of the Guarantor Subsidiaries. The following unaudited condensed consolidating financial information presents the financial condition, results of operations and cash flows of Westlake Chemical Corporation, the Guarantor Subsidiaries and the remaining subsidiaries that do not guarantee the 2022 Notes (the "Non-Guarantor Subsidiaries"), together with consolidating adjustments necessary to present the Company's results on a consolidated basis.

Condensed Consolidating Financial Information as of September 30, 2012

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheet					
Current assets					
Cash and cash equivalents	\$1,168,124	\$5,693	\$24,651	\$—	\$1,198,468
Accounts receivable, net	19,803	1,685,259	5,480	(1,316,950)	393,592
Inventories	—	357,780	13,757	—	371,537
Prepaid expenses and other current assets	292	11,253	2,927	—	14,472
Deferred income taxes	430	19,085	221	—	19,736
Total current assets	1,188,649	2,079,070	47,036	(1,316,950)	1,997,805
Property, plant and equipment, net	—	1,386,453	7,745	—	1,394,198
Equity investments	2,910,021	53,908	33,244	(2,952,999)	44,174
Other assets, net	17,622	106,350	1,714	(17,689)	107,997
Total assets	\$4,116,292	\$3,625,781	\$89,739	\$(4,287,638)	\$3,544,174
Current liabilities					
Accounts payable	\$1,314,329	\$179,772	\$11,073	\$(1,305,736)	\$199,438
Accrued liabilities	15,640	157,906	1,037	(11,214)	163,369
Total current liabilities	1,329,969	337,678	12,110	(1,316,950)	362,807
Long-term debt	752,842	10,889	11,500	(11,500)	763,731
Deferred income taxes	—	340,197	1,386	(6,189)	335,394
Other liabilities	53	48,704	57	—	48,814
Stockholders' equity	2,033,428	2,888,313	64,686	(2,952,999)	2,033,428
Total liabilities and stockholders' equity	\$4,116,292	\$3,625,781	\$89,739	\$(4,287,638)	\$3,544,174

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Condensed Consolidating Financial Information as of December 31, 2011

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheet					
Current assets					
Cash and cash equivalents	\$803,320	\$2,517	\$20,064	\$—	\$825,901
Accounts receivable, net	—	1,384,705	949	(978,282)	) 407,372
Inventories	—	478,229	12,548	—	490,777
Prepaid expenses and other current assets	363	10,332	1,800	—	12,495
Deferred income taxes	430	19,049	132	—	19,611
Total current assets	804,113	1,894,832	35,493	(978,282)	) 1,756,156
Property, plant and equipment, net	—	1,223,073	8,993	—	1,232,066
Equity investments	2,597,598	53,912	35,650	(2,640,419)	) 46,741
Restricted cash	96,283	—	—	—	96,283
Other assets, net	17,650	132,968	2,467	(17,510)	) 135,575
Total assets	\$3,515,644	\$3,304,785	\$82,603	\$(3,636,211)	) \$3,266,821
Current liabilities					
Accounts payable	\$1,005,529	\$210,476	\$3,748	\$(992,719)	) \$227,034
Accrued liabilities	76	120,656	2,392	14,437	137,561
Total current liabilities	1,005,605	331,132	6,140	(978,282)	) 364,595
Long-term debt	753,674	10,889	11,500	(11,500)	) 764,563
Deferred income taxes	—	336,165	636	(6,010)	) 330,791
Other liabilities	53	50,458	49	—	50,560
Stockholders' equity	1,756,312	2,576,141	64,278	(2,640,419)	) 1,756,312
Total liabilities and stockholders' equity	\$3,515,644	\$3,304,785	\$82,603	\$(3,636,211)) \$3,266,821

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Condensed Consolidating Financial Information for the Three Months Ended September 30, 2012

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Statement of Operations					
Net sales	\$—	\$809,164	\$13,876	\$(1,865)	\$821,175
Cost of sales	—	638,892	11,969	(1,865)	648,996
Gross profit	—	170,272	1,907	—	172,179
Selling, general and administrative expenses	498	27,601	1,563	—	29,662
(Loss) income from operations	(498)	142,671	344	—	142,517
Interest expense	(11,919)	(15)	—	—	(11,934)
Debt retirement costs	(7,082)	—	—	—	(7,082)
Gain from sales of equity securities	—	477	—	—	477
Other income (expense), net	4,556	(2,744)	(590)	—	1,222
(Loss) income before income taxes	(14,943)	140,389	(246)	—	125,200
(Benefit from) provision for income taxes	(4,498)	42,596	138	—	38,236
Equity in net income of subsidiaries	97,409	—	—	(97,409)	—
Net income (loss)	\$86,964	\$97,793	\$(384)	\$(97,409)	\$86,964
Comprehensive income	\$88,666	\$98,109	\$481	\$(98,590)	\$88,666

Condensed Consolidating Financial Information for the Three Months Ended September 30, 2011

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Statement of Operations					
Net sales	\$—	\$956,390	\$12,708	\$(726)	\$968,372
Cost of sales	—	810,516	11,515	(726)	821,305
Gross profit	—	145,874	1,193	—	147,067
Selling, general and administrative expenses	1,125	27,242	1,369	—	29,736
(Loss) income from operations	(1,125)	118,632	(176)	—	117,331
Interest expense	(12,727)	—	—	—	(12,727)
Other income (expense), net	1,396	950	(889)	—	1,457
(Loss) income before income taxes	(12,456)	119,582	(1,065)	—	106,061
(Benefit from) provision for income taxes	(4,510)	43,190	(549)	—	38,131
Equity in net income of subsidiaries	75,876	—	—	(75,876)	—
Net income (loss)	\$67,930	\$76,392	\$(516)	\$(75,876)	\$67,930
Comprehensive income (loss)	\$60,503	\$70,019	\$(1,570)	\$(68,449)	\$60,503

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Condensed Consolidating Financial Information for the Nine Months Ended September 30, 2012

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Statement of Operations					
Net sales	\$—	\$2,738,180	\$37,154	\$(5,334)	) \$2,770,000
Cost of sales	—	2,197,300	31,322	(5,334)	) 2,223,288
Gross profit	—	540,880	5,832	—	546,712
Selling, general and administrative expenses	1,500	81,288	4,804	—	87,592
(Loss) income from operations	(1,500)	) 459,592	1,028	—	459,120
Interest expense	(35,652)	) (30)	) —	—	(35,682)
Debt retirement costs	(7,082)	) —	—	—	(7,082)
Gain from sales of equity securities	1	16,428	—	—	16,429
Other income (expense), net	12,044	(5,724)	) (2,644)	) —	3,676
(Loss) income before income taxes	(32,189)	) 470,266	(1,616)	) —	436,461
(Benefit from) provision for income taxes	(11,105)	) 158,228	(940)	) —	146,183
Equity in net income of subsidiaries	311,362	—	—	(311,362)) —
Net income (loss)	\$290,278	\$312,038	\$(676)	) \$(311,362)	) \$290,278
Comprehensive income	\$291,185	\$312,017	\$252	\$(312,269)	) \$291,185

Condensed Consolidating Financial Information for the Nine Months Ended September 30, 2011

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Statement of Operations					
Net sales	\$—	\$2,731,248	\$32,331	\$(2,906)	) \$2,760,673
Cost of sales	—	2,251,296	30,537	(2,906)	) 2,278,927
Gross profit	—	479,952	1,794	—	481,746
Selling, general and administrative expenses	3,149	78,283	3,977	—	85,409
(Loss) income from operations	(3,149)	) 401,669	(2,183)	) —	396,337
Interest expense	(38,403)	) (46)	) —	—	(38,449)
Other income (expense), net	6,410	(2,090)	) (24)	) —	4,296
(Loss) income before income taxes	(35,142)	) 399,533	(2,207)	) —	362,184
(Benefit from) provision for income taxes	(11,858)	) 142,247	(728)	) —	129,661
Equity in net income of subsidiaries	255,807	—	—	(255,807)) —
Net income (loss)	\$232,523	\$257,286	\$(1,479)) \$(255,807)) \$232,523
Comprehensive income (loss)	\$225,981	\$251,474	\$(2,209)) \$(249,265)) \$225,981

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WESTLAKE CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

(in thousands of dollars, except share amounts and per share data)

Condensed Consolidating Financial Information for the Nine Months Ended September 30, 2012

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Statement of Cash Flows					
Cash flows from operating activities					
Net income (loss)	\$290,278	\$312,038	\$(676)	\$(311,362)	\$290,278
Adjustments to reconcile net income (loss) to net cash (used for) provided by operating activities					
Depreciation and amortization	1,149	107,191	2,410	—	110,750
Deferred income taxes	(176)	3,932	629	—	4,385
Net changes in working capital and other	(310,163)	95,909	(1,898)	311,362	95,210
Net cash (used for) provided by operating activities	(18,912)	519,070	465	—	500,623
Cash flows from investing activities					
Additions to property, plant and equipment	—	(234,713)	(750)	—	(235,463)
Construction of assets pending sale-leaseback	—	(5,484)	—	—	(5,484)
Proceeds from disposition of assets	—	414	21	—	435
Proceeds from repayment of loan to affiliate	—	—	763	—	763
Proceeds from sales of equity securities	3	47,652	—	—	47,655
Purchase of investments	—	(2,961)	—	—	(2,961)
Settlements of derivative instruments	—	471	—	—	471
Net cash provided by (used for) investing activities	3	(194,621)	34	—	(194,584)
Cash flows from financing activities					
Intercompany financing	317,185	(321,273)	4,088	—	—
Capitalized debt issuance costs	(2,221)	—	—	—	(2,221)
Dividends paid	(22,345)	—	—	—	(22,345)
Proceeds from borrowings	248,818	—	—	—	248,818
Proceeds from exercise of stock options	6,627	—	—	—	6,627
Repayment of borrowings	(250,000)	—	—	—	(250,000)
Repurchase of common stock for treasury	(10,784)	—	—	—	(10,784)
Utilization of restricted cash	96,433	—	—	—	96,433
Net cash provided by (used for) financing activities	383,713	(321,273)	4,088	—	66,528
Net increase in cash and cash equivalents	364,804	3,176	4,587	—	372,567
Cash and cash equivalents at beginning	803,320	2,517	20,064	—	825,901

of period					
Cash and cash equivalents at end of period	\$1,168,124	\$5,693	\$24,651	\$—	\$1,198,468

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WESTLAKE CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

(in thousands of dollars, except share amounts and per share data)

Condensed Consolidating Financial Information for the Nine Months Ended September 30, 2011

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Statement of Cash Flows					
Cash flows from operating activities					
Net income (loss)	\$ 232,523	\$ 257,286	\$(1,479)	\$(255,807)	\$ 232,523
Adjustments to reconcile net income (loss) to net cash (used for) provided by operating activities					
Depreciation and amortization	1,290	95,486	2,757	—	99,533
Deferred income taxes	(1,430)	21,010	(145)	—	19,435
Net changes in working capital and other	(255,859)	(104,494)	(2,592)	255,807	(107,138)
Net cash (used for) provided by operating activities	(23,476)	269,288	(1,459)	—	244,353
Cash flows from investing activities					
Additions to property, plant and equipment	—	(110,887)	(936)	—	(111,823)
Proceeds from disposition of assets	—	2,453	3	—	2,456
Proceeds from repayment of loan to affiliate	—	—	763	—	763
Purchase of investments	—	(29,877)	—	—	(29,877)
Settlements of derivative instruments	—	(331)	—	—	(331)
Net cash used for investing activities	—	(138,642)	(170)	—	(138,812)
Cash flows from financing activities					
Intercompany financing	129,251	(129,158)	(93)	—	—
Capitalized debt issuance costs	(2,540)	—	—	—	(2,540)
Dividends paid	(13,359)	—	—	—	(13,359)
Proceeds from exercise of stock options	5,323	—	—	—	5,323
Repurchase of common stock for treasury	(19)	—	—	—	(19)
Utilization of restricted cash	33,694	—	—	—	33,694
Net cash provided by (used for) financing activities	152,350	(129,158)	(93)	—	23,099
Net increase (decrease) in cash and cash equivalents	128,874	1,488	(1,722)	—	128,640
Cash and cash equivalents at beginning of period	611,158	53	19,088	—	630,299
Cash and cash equivalents at end of period	\$ 740,032	\$ 1,541	\$ 17,366	\$—	\$ 758,939

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis should be read in conjunction with information contained in the accompanying unaudited consolidated interim financial statements of Westlake Chemical Corporation and the notes thereto and the consolidated financial statements and notes thereto of Westlake Chemical Corporation included in Westlake Chemical Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the "2011 Form 10-K"). The following discussion contains forward-looking statements. Please read "Forward-Looking Statements" for a discussion of limitations inherent in such statements.

We are a vertically integrated manufacturer and marketer of petrochemicals, polymers and fabricated building products. Our two principal business segments are Olefins and Vinyls. We use the majority of our internally-produced basic chemicals to produce higher value-added chemicals and building products.

Beginning in 2009 and continuing through the third quarter of 2012, a cost advantage for ethane-based ethylene producers over naphtha-based ethylene producers allowed a strong export market and higher margins for North American chemical producers, including Westlake. Increased global demand for polyethylene since 2010 has resulted in increased sales volumes and improved operating margins and cash flow for our Olefins segment. However, some olefins industry consultants predict that increases in worldwide ethylene and ethylene derivative capacity, which have occurred over the past four years, primarily in the Middle East and Asia, may continue. As a result, our Olefins segment operating margins may be negatively impacted.

Weakness in the U.S. construction markets, which began in the third quarter of 2006, and the subsequent budgetary constraints in municipal spending, have contributed to lower domestic demand for our vinyls products. In addition, increases in feedstock costs, combined with the industry's inability to sufficiently raise domestic prices for PVC resin and building products in order to offset cost increases, impacted our Vinyls segment's operating results in 2010 and 2011. However, since late 2010, the PVC industry has also experienced an increase in PVC resin export demand, driven largely by more competitive feedstock and energy cost positions in North America. As a consequence, domestic PVC resin industry operating rates improved due to higher PVC resin export shipments. Looking forward, our Vinyls segment operating rates and margins may continue to be negatively impacted by the slow recovery of U.S. construction markets.

While the economic environment continues to be challenging for our customers, we believe our customer base remains generally healthy. As we continue to manage our business in this environment, including the slowdown in construction activity, we have taken steps designed to address the changes in demand and margins in our Vinyls segment and its resulting impact on our operations by matching production with sales demand and continuing to operate our plants in an efficient manner. We continue to monitor our cost management programs and discretionary capital spending. The impact of the global economic environment has been challenging to our business and, depending on the performance of the economy in the remainder of 2012 and beyond, could have a negative effect on our financial condition, results of operations or cash flows.

Recent Developments

In October 2012, we announced that we were converting the feedstock for our Calvert City, Kentucky ethylene plant from propane to ethane and increasing ethylene capacity from 450 million pounds annually to 630 million pounds annually. This expansion and feedstock conversion is expected to enhance our vinyl chain integration and leverage low cost ethane being developed in the Marcellus shale area. The ethylene expansion and feedstock conversion project is targeted for start-up in the second quarter of 2014. In addition, we announced an expansion of the existing PVC plant in Calvert City, which should allow us to take advantage of the increased ethylene production at our Calvert City complex and to provide additional PVC resin to meet the growing demands of our global customers. The expansion of the PVC plant is expected to increase PVC resin capacity by approximately 200 million pounds annually and is targeted for completion by late 2014.

In September 2012, we completed planned major maintenance activities, or turnaround, of the styrene plant at our Lake Charles, Louisiana complex. The unit was restarted after 87 days. Income from operations for the third quarter of 2012 was negatively impacted as a result of the unabsorbed fixed manufacturing costs related to the turnaround.

We previously announced an expansion program to increase the ethane-based ethylene capacity of both of the ethylene units at our Lake Charles complex. In September 2012, we announced that we expect to complete the expansion of one of the two ethylene units by the first quarter of 2013. The first cracker expansion is expected to increase ethylene capacity by approximately 230 - 240 million pounds annually, while also increasing feedstock flexibility. The additional capacity from this expansion is expected to provide ethylene for existing internal uses and may also be sold in the merchant market. We expect this project will be funded with cash on hand, cash flow from operations, and, if necessary, our revolving credit facility and other external financing. In addition, we are currently evaluating expansion plans to increase the ethane-based ethylene capacity of the second ethylene unit at our Lake Charles complex.

Company average (15.8)% 0.6 % (8.3)% 8.6 %

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	Three Months Ended		Nine Months Ended	
	September 30, 2012	2011	September 30, 2012	2011
Average industry prices ⁽¹⁾				
Ethane (cents/lb)	11.4	26.3	14.6	24.8
Propane (cents/lb)	21.2	36.4	24.7	34.7
Ethylene (cents/lb) ⁽²⁾	52.1	60.4	57.8	57.5
Polyethylene (cents/lb) ⁽³⁾	91.3	96.0	95.1	98.8
Styrene (cents/lb) ⁽⁴⁾	77.7	73.3	75.3	74.5
Caustic soda (\$/short ton) ⁽⁵⁾	611.7	570.0	598.3	525.6
Chlorine (\$/short ton) ⁽⁶⁾	262.5	348.3	268.1	338.3
PVC (cents/lb) ⁽⁷⁾	52.5	55.0	54.8	52.1

(1) Industry pricing data was obtained through IHS Chemical. We have not independently verified the data.

(2) Represents average North American spot prices of ethylene over the period as reported by IHS Chemical.

(3) Represents average North American contract prices of polyethylene low density film over the period as reported by IHS Chemical.

(4) Represents average North American contract prices of styrene over the period as reported by IHS Chemical.

(5) Represents average North American acquisition prices of caustic soda (diaphragm grade) over the period as reported by IHS Chemical.

(6) Represents average North American contract prices of chlorine (into chemicals) over the period as reported by IHS Chemical.

(7) Represents average North American contract prices of PVC over the period as reported by IHS Chemical. During the first quarter of 2012, IHS Chemical made a 23 cents per pound non-market downward adjustment to PVC resin prices. For comparability, we adjusted both prior year periods' PVC resin price downward by 23 cents per pound consistent with the IHS Chemical non-market adjustment.

Summary

For the quarter ended September 30, 2012, net income was \$87.0 million, or \$1.30 per diluted share, on net sales of \$821.2 million. This represents an increase in net income of \$19.1 million, or \$0.29 per diluted share, over the quarter ended September 30, 2011 net income of \$67.9 million, or \$1.01 per diluted share, on net sales of \$968.4 million. Income before income taxes for the third quarter of 2012 was negatively impacted by \$17.6 million related to debt retirement costs (\$7.1 million) and the unabsorbed fixed manufacturing costs associated with a planned outage of our styrene plant in Lake Charles (\$10.5 million). Net sales for the third quarter of 2012 decreased by \$147.2 million compared to net sales for the third quarter of 2011, mainly attributable to lower sales prices for most of our major products and lower sales volume for styrene, partially offset by higher polyethylene, ethylene, PVC resin and building products sales volumes. Income from operations was \$142.5 million for the third quarter of 2012 as compared to \$117.3 million for the third quarter of 2011. Income from operations for the third quarter of 2012 benefited primarily from improved olefins and vinyls integrated product margins predominantly due to lower feedstock and energy costs, higher sales volumes for polyethylene and our major vinyls products and higher operating rates as compared to the prior year period. Industry ethane prices declined 56.7% and industry propane prices declined 41.8% in the third quarter of 2012 as compared to the third quarter of 2011.

For the nine months ended September 30, 2012, net income was \$290.3 million, or \$4.33 per diluted share, on net sales of \$2,770.0 million. This represents an increase in net income of \$57.8 million, or \$0.85 per diluted share, from the nine months ended September 30, 2011 net income of \$232.5 million, or \$3.48 per diluted share, on net sales of \$2,760.7 million. Net sales for the nine months ended September 30, 2012 increased marginally by \$9.3 million compared to the prior year period mainly due to higher ethylene and feedstock sales volumes, mostly offset by lower sales prices for most of our major products. Income from operations was \$459.1 million for the nine months ended September 30, 2012 as compared to \$396.3 million for the nine months ended September 30, 2011. The increase in

income from operations was primarily attributable to higher vinyls and olefins integrated product margins as compared to the prior year period. The improved margins were predominantly due to a significant decrease in feedstock costs as industry ethane prices decreased 41.1% and industry propane prices decreased 28.8%. Income from operations for the nine months ended September 30, 2011 was negatively impacted by a number of factors, including an unscheduled outage at one of our ethylene units in Lake Charles caused by a weather related power supply failure from a third party power provider, the turnaround of our Calvert City facility, the closure of our

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Springfield, Kentucky PVC pipe production facility and higher operating costs resulting from a reduction in our ethylene operating rates in Lake Charles in the first quarter of 2011 due to a fire at a third party storage facility in Mont Belvieu, Texas.

RESULTS OF OPERATIONS**Third Quarter 2012 Compared with Third Quarter 2011**

Net Sales. Net sales decreased by \$147.2 million, or 15.2%, to \$821.2 million in the third quarter of 2012 from \$968.4 million in the third quarter of 2011, primarily attributable to lower sales prices for most of our major products and lower sales volumes for styrene, partially offset by higher polyethylene, ethylene, PVC resin and building products sales volumes. Average sales prices for the third quarter of 2012 decreased by 15.8% as compared to the third quarter of 2011. Overall sales volume increased marginally by 0.6% as compared to the third quarter of 2011.

Gross Profit. Gross profit margin percentage increased to 21.0% for the third quarter of 2012 from 15.2% for the third quarter of 2011, driven mainly by improved olefins and vinyls integrated product margins attributable to lower feedstock and energy costs. The third quarter 2012 gross profit margin percentage also benefited from higher sales volume for our major vinyls products and higher operating rates. Our raw material cost in both segments normally tracks industry prices, which experienced a decrease of 56.7% and 41.8% for ethane and propane, respectively, as compared to the third quarter of 2011. Sales prices decreased an average of 15.8% for the third quarter of 2012 as compared to the third quarter of 2011.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the third quarter of 2012 of \$29.7 million were comparable to the prior year period amount of \$29.7 million as an increase in payroll and related labor costs, including incentive compensation, were largely offset by decreases in consulting fees and the facility fee for our senior secured revolving credit facility.

Interest Expense. Interest expense decreased by \$0.8 million to \$11.9 million in the third quarter of 2012 from \$12.7 million in the third quarter of 2011 largely as a result of lower interest rates for the 2022 Notes as compared to the 2016 Notes. Debt balances remained relatively unchanged from the prior year period.

Debt Retirement Costs. We recognized \$7.1 million in non-operating expense in the third quarter of 2012 consisting primarily of a pre-payment premium of \$5.5 million and a write-off of \$1.3 million in previously capitalized debt issuance costs as a result of the early redemption of the 2016 Notes.

Gain from Sales of Equity Securities. We completed the liquidation of our holdings of available-for-sale securities in the third quarter of 2012. As a result of the disposition, we recognized a gain of \$0.5 million in non-operating income in the third quarter of 2012.

Other Income, Net. Other income, net decreased to \$1.2 million in the third quarter of 2012 from \$1.5 million in the third quarter of 2011, mainly due to lower equity in income from our joint ventures, partially offset by higher interest income attributable to higher average cash balances in the third quarter of 2012.

Income Taxes. The effective income tax rate was 30.5% for the third quarter of 2012. The effective income tax rate for the third quarter of 2012 was below the U.S. federal statutory rate of 35.0% primarily due to state tax credits, the domestic manufacturing deduction and a reduction in state income taxes. The effective income tax rate was 36.0% for the third quarter of 2011. The effective income tax rate for the third quarter of 2011 was above the U.S. federal statutory rate of 35.0% primarily due to state income taxes, partially offset by the domestic manufacturing deduction.

Olefins Segment

Net Sales. Net sales decreased by \$155.9 million, or 22.4%, to \$539.8 million in the third quarter of 2012 from \$695.7 million in the third quarter of 2011, predominantly due to lower sales prices for most of our major products, partially offset by higher polyethylene and ethylene sales volumes as compared to the prior year period. In addition, styrene sales volume was negatively impacted by the turnaround of the styrene plant in Lake Charles, which was down for most of the third quarter of 2012. Average sales prices for the Olefins segment decreased by 14.4% in the third quarter of 2012 as compared to the third quarter of 2011. Average sales volumes decreased by 8.1% in the third quarter of 2012 as compared to the third quarter of 2011.

Income from Operations. Income from operations increased by \$19.1 million, or 18.1%, to \$124.5 million in the third quarter of 2012 from \$105.4 million in the third quarter of 2011. This increase was mainly attributable to higher

olefins integrated product margins as compared to the prior year period. Margins improved primarily as a result of significantly lower feedstock and energy costs, which were only partially offset by lower sales prices. Third quarter 2012 income from operations was negatively impacted by the lost production, as well as the expensing of \$10.5 million related to the unabsorbed fixed

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manufacturing costs from the scheduled shut down of the styrene plant in Lake Charles. Trading activity in the third quarter of 2012 resulted in a gain of \$0.2 million as compared to a gain of \$0.4 million in the third quarter of 2011.

Vinyls Segment

Net Sales. Net sales increased by \$8.7 million, or 3.2%, to \$281.4 million in the third quarter of 2012 from \$272.7 million in the third quarter of 2011. This increase was mainly attributable to higher sales volumes for all major products, partially offset by lower sales prices for all major products. Average sales prices for the Vinyls segment decreased by 19.4% in the third quarter of 2012 as compared to the third quarter of 2011. Average sales volumes for the Vinyls segment increased by 22.6% in the third quarter of 2012 as compared to the third quarter of 2011.

Income from Operations. Income from operations increased by \$8.0 million, or 49.7%, to \$24.1 million in the third quarter of 2012 from \$16.1 million in the third quarter of 2011. This increase was primarily driven by lower feedstock costs, improved building products margin and higher operating rates as compared to the prior year period. While operating results for the third quarter of 2012 improved compared to the third quarter of 2011, our Vinyls segment continued to be negatively impacted by weakness in the U.S. construction markets and budgetary constraints in municipal spending.

Nine Months Ended September 30, 2012 Compared with Nine Months Ended September 30, 2011

Net Sales. Net sales increased marginally by \$9.3 million, or 0.3%, to \$2,770.0 million for the first nine months of 2012 from \$2,760.7 million for the first nine months of 2011, primarily driven by higher ethylene and feedstock sales volumes, mostly offset by lower sales prices for most of our major products. Average sales prices for the first nine months of 2012 decreased by 8.3% as compared to the first nine months of 2011. Overall sales volume increased by 8.6% as compared to the first nine months of 2011.

Gross Profit. Gross profit margin percentage of 19.7% for the nine months ended September 30, 2012 increased from the 17.4% gross profit margin percentage for the nine months ended September 30, 2011. The improvement in gross profit margin percentage was predominantly due to lower feedstock and energy costs. Our raw material cost in both segments normally tracks industry prices, which experienced a decrease of 41.1% and 28.8% for ethane and propane, respectively, as compared to the nine months ended September 30, 2011. Sales prices decreased an average of 8.3% for the nine months ended September 30, 2012 as compared to the prior year period.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the nine months ended September 30, 2012 increased by \$2.2 million as compared to the nine months ended September 30, 2011 mainly attributable to expenses associated with our terminated proposal to acquire Georgia Gulf Corporation (“Georgia Gulf”) and an increase in payroll and related labor costs, including incentive compensation, partially offset by decreases in consulting fees and the facility fee for our senior secured revolving credit facility.

Interest Expense. Interest expense decreased by \$2.7 million to \$35.7 million in the first nine months of 2012, largely due to increased capitalized interest on major capital projects in the first nine months of 2012 and lower interest rates for the 2022 Notes as compared to the 2016 Notes. Debt balances remained relatively unchanged from the prior year period.

Debt Retirement Costs. We recognized \$7.1 million in non-operating expense in the first nine months of 2012 consisting primarily of a pre-payment premium of \$5.5 million and a write-off of \$1.3 million in previously capitalized debt issuance costs as a result of the early redemption of the 2016 Notes.

Gain from Sales of Equity Securities. We liquidated our holdings of available-for-sale securities in the second and third quarters of 2012. As a result of the disposition, we recognized a gain of \$16.4 million in non-operating income in the first nine months of 2012.

Other Income, Net. Other income, net decreased by \$0.6 million to \$3.7 million in the first nine months of 2012 from \$4.3 million in the first nine months of 2011 as lower equity in income from our joint ventures was mostly offset by higher interest income attributable to higher average cash balances in the first nine months of 2012.

Income Taxes. The effective income tax rate was 33.5% for the nine months ended September 30, 2012. The effective income tax rate for the 2012 period was below the U.S. federal statutory rate of 35.0% primarily due to state tax credits and the domestic manufacturing deduction, partially offset by state income taxes. The effective income tax rate was 35.8% for the nine months ended September 30, 2011. The effective income tax rate for the 2011 period was

above the U.S. federal statutory rate of 35.0% primarily due to state income taxes, partially offset by the domestic manufacturing deduction.

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Olefins Segment

Net Sales. Net sales for the nine months ended September 30, 2012 of \$1,944.8 million were comparable to net sales for the nine months ended September 30, 2011 of \$1,946.1 million as higher ethylene and feedstock sales volumes were offset by lower sales prices for all of our major products. Average sales prices for the Olefins segment decreased by 9.8% in the first nine months of 2012 as compared to the first nine months of 2011. Average sales volumes increased by 9.8% in the first nine months of 2012 as compared to the first nine months of 2011.

Income from Operations. Income from operations increased by \$26.2 million, or 6.8%, to \$409.6 million in the first nine months of 2012 from \$383.4 million in the first nine months of 2011. This increase was mainly attributable to higher olefins integrated product margins as compared to the prior year period. Margins improved as a result of lower feedstock and energy costs, which were only partially offset by lower sales prices. Income from operations for the first nine months of 2012 was negatively impacted by the unabsorbed fixed manufacturing costs from the scheduled shut down of the styrene plant in Lake Charles. Trading activity for the nine months ended September 30, 2012 resulted in a loss of \$0.8 million as compared to a gain of \$0.8 million for the prior year period. The first nine months of 2011 were negatively impacted by lost ethylene production, repair costs and unabsorbed fixed manufacturing costs incurred in connection with the unscheduled outage at one of our ethylene units in Lake Charles and the fire at a third party storage facility at Mont Belvieu.

Vinyls Segment

Net Sales. Net sales increased by \$10.6 million, or 1.3%, to \$825.2 million for the nine months ended September 30, 2012 from \$814.6 million for the nine months ended September 30, 2011. This increase was primarily attributable to higher building products and caustic sales prices and sales volumes, partially offset by lower PVC resin sales prices as compared to the prior year period. Average sales prices for the Vinyls segment decreased by 4.5% in the first nine months of 2012 as compared to the first nine months of 2011, while average sales volumes increased by 5.8%.

Income from Operations. Income from operations increased by \$44.1 million to \$67.7 million for the nine months ended September 30, 2012 from \$23.6 million for the nine months ended September 30, 2011. This increase was predominantly driven by lower feedstock and energy costs and higher caustic and building products sales volumes as compared to the prior year period. The 2012 period income from operations was negatively impacted by an unscheduled shut down of our Geismar, Louisiana vinyls complex and lower operating rates at that complex as a result of operational issues related to a fire at the complex in March 2012. We expensed approximately \$11.0 million of costs associated with that event in the first nine months of 2012. The Vinyls segment's operating results for the first nine months of 2011 were negatively impacted by the turnaround at the Calvert City facility and the closure of the Springfield PVC pipe facility.

CASH FLOW DISCUSSION FOR NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

Cash Flows

Operating Activities

Operating activities provided cash of \$500.6 million in the first nine months of 2012 compared to cash provided of \$244.4 million in the first nine months of 2011. The \$256.2 million increase in cash flows from operating activities was mainly due to an increase in income from operations and a decrease in working capital requirements, as compared to the prior year period. Income from operations increased by \$62.8 million in the first nine months of 2012 primarily as a result of higher vinyls and olefins integrated product margins as compared to the prior year period. Changes in components of working capital, which we define for purposes of this cash flow discussion as accounts receivable, net, inventories, prepaid expenses and other current assets, less accounts payable and accrued liabilities, provided cash of \$115.3 million in the first nine months of 2012, compared to \$108.0 million of cash used in the first nine months of 2011, a favorable change of \$223.3 million. This change was mainly due to a decrease in inventory and accounts receivable during the 2012 period primarily attributable to lower feedstock costs and lower average sales prices.

Investing Activities

Net cash used for investing activities during the first nine months of 2012 was \$194.6 million as compared to net cash used for investing activities of \$138.8 million in the first nine months of 2011. Capital expenditures were \$235.5 million in the first nine months of 2012 compared to \$111.8 million in the first nine months of 2011. The higher

capital expenditures in the 2012 period were largely attributable to capital expenditures incurred on the construction of the new chlor-alkali plant at our Geismar facility, the expansion of the ethylene unit at our Lake Charles complex and the modernization of the ethylene furnaces at our Calvert City complex. The remaining capital expenditures in the first nine months of 2012 and capital expenditures in the first nine months of 2011 primarily related to projects to improve production capacity or reduce costs and safety and environmental projects at our various facilities. Construction of assets pending sale-leaseback totaled \$5.5 million in

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the first nine months of 2012 and pertained to the construction of transportation equipment. Purchases of equity securities in the first nine months of 2012 totaled \$3.0 million and comprised of shares of Georgia Gulf common stock. We received aggregate proceeds of \$47.7 million from the sale of all our available-for-sale equity securities during the first nine months of 2012. The 2011 period activity was primarily related to the \$29.9 million purchase of these equity securities.

Financing Activities

Net cash provided by financing activities during the first nine months of 2012 was \$66.5 million as compared to net cash provided of \$23.1 million in the first nine months of 2011. The 2012 period activity was primarily related to proceeds of \$248.8 million from the issuance of the 2022 Notes, which was offset by the optional redemption of \$250.0 million of 2016 Notes. In addition, we received proceeds of \$6.6 million from the exercise of stock options and a \$96.4 million draw-down of our restricted cash for use for eligible capital expenditures in the 2012 period. As of September 30, 2012, we had drawn down all of our restricted cash. Net cash provided by financing activities was partially offset by the \$10.8 million of repurchases of shares of our common stock, the \$22.3 million payment of cash dividends and \$2.2 million of debt issuance costs associated with the issuance of the 2022 Notes. The 2011 period activity was mainly related to the draw-down of our restricted cash and proceeds from the exercise of stock options, partially offset by the \$13.4 million payment of cash dividends.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Financing Arrangements

Our principal sources of liquidity are from cash and cash equivalents, cash from operations, short-term borrowings under our revolving credit facility and our long-term financing. As we continue to manage our business through the current economic environment, we have maintained our focus on cost control and various initiatives designed to preserve cash and liquidity.

In October 2012, we announced that we were converting the feedstock for our Calvert City ethylene plant from propane to ethane and increasing ethylene capacity from 450 million pounds annually to 630 million pounds annually. The ethylene expansion and feedstock conversion project is targeted for start-up in the second quarter of 2014. In addition, we announced an expansion of the existing PVC plant in Calvert City, which should allow us to take advantage of the increased ethylene production at our Calvert City complex and to provide additional PVC resin to meet the growing demands of our global customers. The expansion of the PVC plant is expected to increase PVC resin capacity by approximately 200 million pounds annually and is targeted for completion by late 2014. These projects are currently estimated to cost in the range of \$210.0 million to \$240.0 million. Further, in December 2011, we announced plans to perform a major modernization of the ethylene furnaces at our Calvert City complex. We currently expect the modernization to be completed by mid-2013. This capital project is currently estimated to cost approximately \$40.0 million.

In April 2011, we announced an expansion program to increase the ethane-based ethylene capacity of both of the ethylene units at our Lake Charles complex. We currently expect to complete the expansion of one of the two ethylene units by the first quarter of 2013. This expansion is currently estimated to cost in the range of \$110.0 million to \$145.0 million. The additional capacity from this expansion is expected to provide ethylene for existing internal uses and may also be sold in the merchant market.

In August 2010, we announced that we intend to proceed with the previously announced plans for the construction of a new chlor-alkali plant at our Geismar facility. The project is currently estimated to cost in the range of \$370.0 million to \$420.0 million and is targeted for start-up in the second half of 2013.

These projects are expected to be funded with cash on hand, cash flow from operations, and, if necessary, our revolving credit facility and other external financing. As of September 30, 2012, we had incurred a total cost of approximately \$231.3 million on these capital projects.

In August 2011, our Board of Directors authorized a stock repurchase program totaling \$100.0 million. As of September 30, 2012, we had repurchased 284,493 shares of our common stock for an aggregate purchase price of approximately \$13.3 million under this program. We did not repurchase any shares under this program during the three months ended September 30, 2012. Purchases under this program may be made either through the open market

or in privately negotiated transactions. Decisions regarding the amount and the timing of purchases under the program will be influenced by our cash on hand, our cash flow from operations, general market conditions and other factors. The program may be discontinued by our Board of Directors at any time.

We believe that our sources of liquidity as described above will be adequate to fund our normal operations and ongoing capital expenditures. Funding of any potential large expansions or any potential acquisitions may depend on our ability to obtain additional financing in the future. We may not be able to access additional liquidity at cost effective interest rates due to the volatility of the commercial credit markets. At September 30, 2012, the borrowing base of our credit facility was \$382.1

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million, which is below the maximum borrowing capacity of \$400.0 million due to our low carrying amounts of accounts receivable and inventory, which make up the borrowing base.

Cash and Restricted Cash

Total cash balances were \$1,198.5 million at September 30, 2012, which was comprised of cash and cash equivalents. We had no restricted cash balance at September 30, 2012. In addition, we have a revolving credit facility available to supplement cash if needed, as described under “Debt” below.

Debt

As of September 30, 2012, our long-term debt, including current maturities, totaled \$763.7 million, consisting of \$250.0 million principal amount of 2022 Notes (less the unamortized discount of \$1.2 million), \$100.0 million of 6 ½% senior notes due 2029, \$250.0 million of 6 ¾% senior notes due 2032, \$89.0 million of 6 ½% senior notes due 2035 (the “6 ½% GO Zone Senior Notes Due 2035”), \$65.0 million of 6 ½% senior notes due 2035 (the “6 ½% IKE Zone Senior Notes Due 2035”) (collectively but excluding the 2022 Notes, the “Senior Notes”) and a \$10.9 million loan from the proceeds of tax-exempt waste disposal revenue bonds (supported by an \$11.3 million letter of credit). The 6 ½% senior notes due 2029, the 6 ¾% senior notes due 2032, the 6 ½% GO Zone Senior Notes Due 2035 and the 6 ½% IKE Zone Senior Notes Due 2035 evidence and secure our obligations to the Louisiana Local Government Environmental Facility and Development Authority (the “Authority”), a political subdivision of the State of Louisiana, under four loan agreements relating to the issuance of \$100.0 million, \$250.0 million, \$89.0 million and \$65.0 million aggregate principal amount of the Authority’s tax-exempt revenue bonds, respectively. As of September 30, 2012, debt outstanding under the tax-exempt waste disposal revenue bonds bore interest at a variable rate. As of September 30, 2012, we were in compliance with all of the covenants with respect to the 2022 Notes, the Senior Notes, our waste disposal revenue bonds and our revolving credit facility.

Revolving Credit Facility

We have a \$400.0 million senior secured revolving credit facility. The facility includes a provision permitting us to increase the size of the facility, up to four times, in increments of at least \$25.0 million each (up to a maximum of \$150.0 million) under certain circumstances if certain lenders agree to commit to such an increase.

At September 30, 2012, we had no borrowings outstanding under the revolving credit facility. Any borrowings under the facility will bear interest at either LIBOR plus a spread ranging from 1.75% to 2.25% or a base rate plus a spread ranging from 0.25% to 0.75%. The revolving credit facility also requires an unused commitment fee of 0.375% per annum. All interest rates under the facility are subject to monthly grid pricing adjustments based on prior month average daily loan availability. The revolving credit facility matures on September 16, 2016. As of September 30, 2012, we had outstanding letters of credit totaling \$16.2 million and borrowing availability of \$365.9 million under the revolving credit facility.

Our revolving credit facility requires us to maintain a minimum fixed charge coverage ratio of 1.0:1 for successive 30-day periods after any date on which the borrowing availability under the facility is less than the greater of (1) 12.5% of the commitments under the facility and (2) \$50.0 million, until the borrowing availability exceeds the greater of the amount in clause (1) and the amount in clause (2) for a 30-day period.

In order to make acquisitions or investments, our revolving credit facility provides that (1) we must maintain a minimum borrowing availability of at least the greater of \$100.0 million or 25% of the total bank commitments under our revolving credit facility or (2) we must maintain a minimum borrowing availability of at least the greater of \$70.0 million or 17.5% of the total bank commitments under our revolving credit facility and meet a minimum fixed charge coverage ratio of 1.0:1 under our revolving credit facility. However, we may make specified distributions up to an aggregate of \$25.0 million and specified acquisitions up to an aggregate of \$25.0 million if either we maintain a minimum borrowing availability of at least the greater of \$70.0 million or 17.5% of the total bank commitments under our revolving credit facility or we meet the minimum fixed charge coverage ratio of 1.0:1 under our revolving credit facility. Notwithstanding the foregoing, we may make (1) investments up to \$200.0 million in one or more joint ventures that own feedstock, raw material and ethylene pipeline, storage and fractionating facilities and (2) additional investments up to \$55.0 million in Suzhou Huasu Plastics Co., Ltd. The revolving credit facility contains other customary covenants and events of default that impose significant operating and financial restrictions on us. These

restrictions, among other things, provide limitations on the occurrence of additional indebtedness and our ability to create liens, to engage in certain affiliate transactions and to engage in sale-leaseback transactions. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Debt” in the 2011 Form 10-K for more information on the revolving credit facility.

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GO Zone and IKE Zone Bonds

As of September 30, 2012, we had drawn all the proceeds from the issuance of the 6 ½% senior notes due 2029, 6 ¾% senior notes due 2032, 6 ½% GO Zone Senior Notes Due 2035 and 6 ½% IKE Zone Senior Notes Due 2035. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Debt” in the 2011 Form 10-K for more information on the 6 ½% senior notes due 2029, the 6 ¾% senior notes due 2032, the 6 ½% GO Zone Senior Notes Due 2035 and the 6 ½% IKE Zone Senior Notes Due 2035. All domestic restricted subsidiaries that guarantee other debt of ours or of another guarantor of the Senior Notes in excess of \$5.0 million are guarantors of these notes.

The indentures governing the Senior Notes contain customary covenants and events of default. Accordingly, these agreements generally impose significant operating and financial restrictions on us. These restrictions, among other things, provide limitations on incurrence of additional indebtedness, the payment of dividends, certain investments and acquisitions and sales of assets. However, the effectiveness of certain of these restrictions is currently suspended because the Senior Notes are currently rated investment grade by at least two nationally recognized credit rating agencies. The most significant of these provisions, if it were currently effective, would restrict us from incurring additional debt, except specified permitted debt (including borrowings under our credit facility), when our fixed charge coverage ratio is below 2.0:1. These limitations are subject to a number of important qualifications and exceptions, including, without limitation, an exception for the payment of our regular quarterly dividend of up to \$0.20 per share (currently \$0.1875 per share). If the restrictions were currently effective, distributions in excess of \$100.0 million would not be allowed unless, after giving pro forma effect to the distribution, our fixed charge coverage ratio is at least 2.0:1 and such payment, together with the aggregate amount of all other distributions after January 13, 2006, is less than the sum of 50% of our consolidated net income for the period from October 1, 2003 to the end of the most recent quarter for which financial statements have been filed, plus 100% of net cash proceeds received after October 1, 2003 as a contribution to our common equity capital or from the issuance or sale of certain securities, plus several other adjustments.

3.60% Senior Notes due 2022 and 6 5/8% Senior Notes due 2016

On July 17, 2012, we issued \$250.0 million aggregate principal amount of the 2022 Notes, the net proceeds of which, together with cash on hand, were used, on July 30, 2012 to redeem all \$250.0 million principal amount of the 2016 Notes, at the redemption price of 102.208% of the principal amount, plus accrued and unpaid interest to the redemption date. As a result of the early redemption of the 2016 Notes, we recognized \$7.1 million in non-operating expense in the third quarter of 2012 consisting primarily of a pre-payment premium of \$5.5 million and a write-off of \$1.3 million in previously capitalized debt issuance costs.

The 2022 Notes are unsecured and were issued with an original issue discount of \$1.2 million. There is no sinking fund and no scheduled amortization of the 2022 Notes prior to maturity. We may optionally redeem the 2022 Notes at any time and from time to time prior to April 15, 2022 (three months prior to the maturity date) for 100% of the principal plus accrued interest and a discounted "make whole" payment of remaining unpaid principal and interest payments. On or after April 15, 2022, we may optionally redeem the 2022 Notes for 100% of the principal plus accrued interest. The holders of the 2022 Notes may require us to repurchase the 2022 Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase, upon the occurrence of both a “change of control” and, within 60 days of such change of control, a “below investment grade rating event” (as such terms are defined in the indenture governing the 2022 Notes). All of our domestic subsidiaries that guarantee other indebtedness of ours or of another guarantor of the 2022 Notes in excess of \$5.0 million are guarantors of the 2022 Notes.

The indenture governing the 2022 Notes contains customary events of default and covenants that will restrict our and certain of our subsidiaries' ability to (1) incur certain secured indebtedness, (2) engage in certain sale-leaseback transactions and (3) consolidate, merge or transfer all or substantially all of our assets.

Revenue Bonds

In December 1997, we entered into a loan agreement with a public trust established for public purposes for the benefit of the Parish of Calcasieu, Louisiana. The public trust issued \$10.9 million principal amount of tax-exempt waste

disposal revenue bonds in order to finance our construction of waste disposal facilities for an ethylene plant. The waste disposal revenue bonds expire in December 2027 and are subject to redemption and mandatory tender for purchase prior to maturity under certain conditions. Interest on the waste disposal revenue bonds accrues at a rate determined by a remarketing agent and is payable quarterly.

Our ability to make payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other

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industry production capacity and operating rates;
the supply/demand balance for our products;
competitive products and pricing pressures;
instability in the credit and financial markets;
access to capital markets;
terrorist acts;
operating interruptions (including leaks, explosions, fires, weather-related incidents, mechanical failure, unscheduled downtime, labor difficulties, transportation interruptions, spills and releases and other environmental risks);
changes in laws or regulations;
technological developments;
our ability to implement our business strategies; and
creditworthiness of our customers.

Many of these factors are beyond our ability to control or predict. Any of the factors, or a combination of these factors, could materially affect our future results of operations and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of our future performance, and our actual results and future developments 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. Every forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Commodity Price Risk

A substantial portion of our products and raw materials are commodities whose prices fluctuate as market supply and demand fundamentals change. Accordingly, product margins and the level of our profitability tend to fluctuate with changes in the business cycle. We try to protect against such instability through various business strategies. Our strategies include ethylene product feedstock flexibility and moving downstream into the olefins and vinyls products where pricing is more stable. We use derivative instruments in certain instances to reduce price volatility risk on feedstocks and products. Based on our open derivative positions at September 30, 2012, a hypothetical \$0.10 increase in the price of a gallon of ethane would have increased our income before taxes by \$1.3 million. Additional information concerning derivative commodity instruments appears in Notes 8 and 9 to the consolidated financial statements.

Interest Rate Risk

We are exposed to interest rate risk with respect to fixed and variable rate debt. At September 30, 2012, we had variable rate debt of \$10.9 million outstanding. All of the debt outstanding under our revolving credit facility (none was outstanding at September 30, 2012) and our loan relating to the tax-exempt waste disposal revenue bonds are at variable rates. We do not currently hedge our variable interest rate debt, but we may do so in the future. The average variable interest rate for our variable rate debt of \$10.9 million as of September 30, 2012 was 0.34%. A hypothetical 100 basis point increase in the average interest rate on our variable rate debt would increase our annual interest expense by approximately \$0.1 million. Also, at September 30, 2012, we had \$754.0 million aggregate principal amount of fixed rate debt. We are subject to the risk of higher interest cost if and when this debt is refinanced. If interest rates are 1% higher at the time of refinancing, our annual interest expense would increase by approximately \$7.5 million.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Senior Vice President, Chief Financial Officer and Treasurer, of the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 or 15d-15 under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based upon that evaluation, our President and Chief Executive Officer and our Senior Vice President, Chief Financial Officer and Treasurer concluded that our disclosure controls and procedures are effective with respect to (i) the accumulation and communication to our

management, including our Chief Executive Officer and our Chief Financial Officer, of information required to be disclosed by us in the reports that we submit under the Exchange Act, and

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(ii) the recording, processing, summarizing and reporting of such information within the time periods specified in the SEC's rules and forms.

There were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The 2011 Form 10-K, filed on February 23, 2012, contained a description of various legal proceedings in which we are involved, including environmental proceedings at our facilities in Calvert City. See Note 13 to the unaudited consolidated financial statements within this Quarterly Report on Form 10-Q for a description of certain of those proceedings, which information is incorporated by reference herein.

Item 1A. Risk Factors

For a discussion of risk factors, please read Item 1A, "Risk Factors" in the 2011 Form 10-K. There have been no material changes from those risk factors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information on our purchase of equity securities during the quarter ended September 30, 2012:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
July 2012	—	\$—	—	\$86,698,000
August 2012	—	\$—	—	\$86,698,000
September 2012	—	\$—	—	\$86,698,000
	—	\$—	—	

On August 22, 2011, we announced the authorization by our Board of Directors of a \$100.0 million stock repurchase program. As of September 30, 2012, 284,493 shares of common stock had been acquired at an (1) aggregate purchase price of \$13.3 million. Decisions regarding the amount and the timing of purchases under the program will be influenced by our cash on hand, our cash flow from operations, general market conditions and other factors. The program may be discontinued by our Board of Directors at any time.

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Item 6. Exhibits

Exhibit No.

4.1	Sixth Supplemental Indenture, dated as of July 17, 2012, among the Company, the Subsidiary Guarantors (as defined therein) and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 16, 2012, File No. 1-32260)
4.2	Form of the Company's 3.60% Senior Notes due 2022 (included in Exhibit 4.1)
31.1	Rule 13a – 14(a) / 15d – 14(a) Certification (Principal Executive Officer)
31.2	Rule 13a – 14(a) / 15d – 14(a) Certification (Principal Financial Officer)
32.1	Section 1350 Certification (Principal Executive Officer and Principal Financial Officer)
101.INS	XBRL Instance Document ⁽¹⁾
101.SCH	XBRL Taxonomy Extension Schema Document ⁽¹⁾
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document ⁽¹⁾
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document ⁽¹⁾
101.LAB	XBRL Taxonomy Extension Label Linkbase Document ⁽¹⁾
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document ⁽¹⁾

⁽¹⁾ Pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WESTLAKE CHEMICAL CORPORATION

Date: November 8, 2012

By: /S/ ALBERT CHAO
Albert Chao
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2012

By: /S/ M. STEVEN BENDER
M. Steven Bender
Senior Vice President, Chief Financial
Officer
and Treasurer
(Principal Financial Officer)