UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 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	**76-0346924**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

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)

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** x **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** x **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	x	**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** x

The number of shares outstanding of the registrant s sole class of common stock as of July 30, 2012 was 66,606,036.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WESTLAKE CHEMICAL CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2012	December 31, 2011
	(in thousands of dollars, except par values and share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,110,538	$ 825,901
Accounts receivable, net	418,000	407,372
Inventories	407,124	490,777
Prepaid expenses and other current assets	15,415	12,495
Deferred income taxes	19,693	19,611
Total current assets	1,970,770	1,756,156
Property, plant and equipment, net	1,309,752	1,232,066
Equity investments	44,815	46,741
Restricted cash	20,452	96,283
Other assets, net	96,149	135,575
Total assets	$ 3,441,938	$ 3,266,821
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 208,309	$ 227,034
Accrued liabilities	129,768	137,561
Total current liabilities	338,077	364,595
Long-term debt	764,604	764,563
Deferred income taxes	337,162	330,791
Other liabilities	49,784	50,560
Total liabilities	1,489,627	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; 66,890,711 and 66,601,909 shares issued at June 30, 2012 and December 31, 2011, respectively	669	666
Common stock, held in treasury, at cost; 284,493 and 69,816 shares at June 30, 2012 and December 31, 2011, respectively	(13,302)	(2,518)
Additional paid-in capital	481,895	467,796
Retained earnings	1,492,914	1,299,438
Accumulated other comprehensive loss	(9,865)	(9,070)

Total stockholders equity	1,952,311	1,756,312
Total liabilities and stockholders equity	$ 3,441,938	$ 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 June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(in thousands of dollars, except per share data and share amounts)			
Net sales	$ 913,958	$ 925,049	$ 1,948,825	$ 1,792,301
Cost of sales	712,062	757,954	1,574,292	1,457,622
Gross profit	201,896	167,095	374,533	334,679
Selling, general and administrative expenses	30,918	28,726	57,930	55,673
Income from operations	170,978	138,369	316,603	279,006
Other income (expense)				
Interest expense	(11,571)	(12,802)	(23,748)	(25,722)
Gain from sales of equity securities	15,952		15,952	
Other income, net	1,107	1,632	2,454	2,839
Income before income taxes	176,466	127,199	311,261	256,123
Provision for income taxes	60,965	46,150	107,947	91,530
Net income	$ 115,501	$ 81,049	$ 203,314	$ 164,593
Earnings per share:				
Basic	$ 1.73	$ 1.22	$ 3.05	$ 2.48
Diluted	$ 1.72	$ 1.21	$ 3.03	$ 2.46
Weighted average shares outstanding:				
Basic	66,298,633	65,999,090	66,203,965	65,873,023
Diluted	66,648,896	66,425,065	66,603,706	66,269,823
Dividends per common share	$ 0.0738	$ 0.0635	$ 0.1475	$ 0.1270

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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands of dollars)			
Net income	$ 115,501	$ 81,049	$ 203,314	$ 164,593
Other comprehensive income (loss)				
Pension and other post-retirement benefits liability				
Pension and other post-retirement reserves adjustment (excluding amortization)	71		71	
Amortization of benefits liability	584	471	1,162	924
Income tax provision on pension and other post-retirement benefits liability	(251)	(185)	(473)	(363)
Foreign currency translation adjustments	(449)	(209)	63	324
Cash flow hedges				
Net unrealized losses on hedges	(813)		(813)	
Income tax benefit on hedges	292		292	
Available-for-sale investments				
Unrealized holding (losses) gains on investments	(11,231)		14,243	
Income tax benefit (provision) on unrealized holding (losses) gains	4,028		(5,108)	
Reclassification of net realized gain to net income	(10,232)		(10,232)	
Other comprehensive (loss) income	(18,001)	77	(795)	885
Comprehensive income	$ 97,500	$ 81,126	$ 202,519	$ 165,478

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)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(in thousands of dollars)	
Cash flows from operating activities		
Net income	$ 203,314	$ 164,593
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	71,177	65,383
(Recovery of) provision for doubtful accounts	(161)	811
Amortization of debt issue costs	801	863
Stock-based compensation expense	3,125	3,127
Loss from disposition of fixed assets	688	142
Gain from sales of equity securities	(15,952)	
Impairment of long-lived assets		1,975
Deferred income taxes	6,720	15,949
Equity in loss (income) of joint ventures	1,926	(1,552)
Changes in operating assets and liabilities		
Accounts receivable	(11,105)	(68,249)
Inventories	83,653	(58,170)
Prepaid expenses and other current assets	(2,920)	(4,928)
Accounts payable	(17,043)	19,362
Accrued liabilities	(6,369)	(12,506)
Other, net	4,760	(1,495)
Net cash provided by operating activities	322,614	125,305
Cash flows from investing activities		
Additions to property, plant and equipment	(140,568)	(69,178)
Construction of assets pending sale-leaseback	(1,760)	
Proceeds from disposition of assets	415	2,456
Proceeds from repayment of loan to affiliate	596	596
Proceeds from sales of equity securities	46,027	
Purchase of investments	(2,961)	
Settlements of derivative instruments	511	(222)
Net cash used for investing activities	(97,740)	(66,348)
Cash flows from financing activities		
Capitalized debt issuance costs	(98)	
Dividends paid	(9,838)	(8,446)
Proceeds from exercise of stock options	4,508	5,323
Repurchase of common stock for treasury	(10,784)	
Utilization of restricted cash	75,975	26,189
Net cash provided by financing activities	59,763	23,066
Net increase in cash and cash equivalents	284,637	82,023
Cash and cash equivalents at beginning of period	825,901	630,299

Cash and cash equivalents at end of period	$ 1,110,538	$ 712,322

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 June 30, 2012, its results of operations for the three and six months ended June 30, 2012 and 2011 and the changes in its cash position for the six months ended June 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.

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

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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)

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.

2. Accounts Receivable

Accounts receivable consist of the following:

	June 30, 2012	December 31, 2011
Trade customers	$ 409,998	$ 391,401
Affiliates	123	122
Allowance for doubtful accounts	(10,851)	(10,969)
	399,270	380,554
Federal and state taxes	3,335	16,113
Other	15,395	10,705
Accounts receivable, net	$ 418,000	$ 407,372

3. Inventories

Inventories consist of the following:

	June 30, 2012	December 31, 2011
Finished products	$ 199,763	$ 234,830
Feedstock, additives and chemicals	153,996	207,899
Materials and supplies	53,365	48,048
Inventories	$ 407,124	$ 490,777

4. Property, Plant and Equipment

As of June 30, 2012, the Company had property, plant and equipment totaling $1,309,752. 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.

Depreciation expense on property, plant and equipment of $30,387 and $27,493 is included in cost of sales in the consolidated statements of operations for the three months ended June 30, 2012 and 2011, respectively. Depreciation expense on property, plant and equipment of $60,559 and $54,800 is included in cost of sales in the consolidated statements of operations for the six months ended June 30, 2012 and 2011, respectively.

WESTLAKE CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Continued

(Unaudited)

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

5. Other Assets

Investments reflected in other assets, net in the consolidated balance sheets at June 30, 2012 and December 31, 2011 were $1,288 and $30,113, respectively. These investments in equity securities have been classified as available-for-sale.

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

	June 30, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale equity securities	$ 1,151	$ 137	$	$ 1,288

	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 June 30, 2012 and December 31, 2011, unrealized gains of $88 and $1,185, respectively, net of income tax expense of $49 and $663, respectively, were recorded in accumulated other comprehensive income. See Note 9 for the fair value hierarchy of the Company s available-for-sale equity securities.

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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Proceeds from sales of available-for-sale equity securities	$ 46,027	$	$ 46,027	$
Gross realized gains	$ 15,952	$	$ 15,952	$

Amortization expense on other assets of $5,795 and $5,737 is included in the consolidated statements of operations for the three months ended June 30, 2012 and 2011, respectively. Amortization expense on other assets of $11,419 and $11,446 is included in the consolidated statements of operations for the six months ended June 30, 2012 and 2011, respectively.

6. Long-Term Debt

Long-term debt consists of the following:

	June 30, 2012	December 31, 2011
6 $^5/_8$% senior notes due 2016	$ 249,715	$ 249,674
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 2035 GO Zone 6 $^1/_2$% Notes)	89,000	89,000
6 $^1/_2$% senior notes due 2035 (the 2035 IKE Zone 6 $^1/_2$% Notes)	65,000	65,000
Loan related to tax-exempt waste disposal revenue bonds due 2027	10,889	10,889
Long-term debt	$ 764,604	$ 764,563

The Company has a $400,000 senior secured revolving credit facility. At June 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 June 30, 2012, the Company had outstanding letters of credit totaling $15,715 and borrowing availability of $384,285 under the revolving credit facility.

WESTLAKE CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Continued

(Unaudited)

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

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 $1,475 and $1,623 for the three months ended June 30, 2012 and 2011, respectively, and $3,125 and $3,127 for the six months ended June 30, 2012 and 2011, respectively.

Option activity and changes during the six months ended June 30, 2012 were as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2011	1,133,147	$ 23.26		
Granted	115,340	60.09		
Exercised	(223,044)	20.21		
Cancelled	(1,278)	43.92		
Outstanding at June 30, 2012	1,024,165	$ 28.05	6.5	$ 25,693
Exercisable at June 30, 2012	648,698	$ 20.92	5.9	$ 20,331

For options outstanding at June 30, 2012, the options had the following range of exercise prices:

Range of Prices	Options Outstanding	Weighted Average Remaining Contractual Life (Years)
$14.24 $19.29	368,405	5.7
$20.53 $27.24	235,712	7.0
$30.07 $36.10	210,454	4.6
$45.83 $60.11	209,594	9.2

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company s closing stock price on the last trading day of the quarter and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 30, 2012. This amount changes based on the fair market value of the Company s common stock. The total intrinsic value of options exercised was $7,432 and $943 for the three months ended June 30, 2012 and 2011, respectively, and $8,109 and $8,147 for the six months ended June 30, 2012 and 2011, respectively.

As of June 30, 2012, $4,280 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 2.0 years. Income tax benefit realized from the exercise of stock options was $1,977 and $286 for the three months ended June 30, 2012 and 2011, respectively, and $2,124 and $2,148 for the six months ended June 30, 2012 and 2011, respectively.

The Company uses the Black-Scholes option pricing model to value its options. The table below presents the weighted average value and assumptions used in determining the fair value for each option granted during the six months ended June 30, 2012 and 2011. Volatility was calculated using historical trends of the Company s common stock price. There were no options granted during the three months ended June 30, 2012 and 2011.

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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)

	Stock Option Grants Six Months Ended June 30, 2012	Stock Option Grants Six Months Ended June 30, 2011
Weighted average fair value	$ 23.39	$ 19.22
Risk-free interest rate	1.0%	2.8%
Expected life in years	5	6
Expected volatility	45.7%	41.9%
Expected dividend yield	0.5%	0.5%

Non-vested restricted stock awards as of June 30, 2012 and changes during the six months ended June 30, 2012 were as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2011	582,013	$ 23.43
Granted	68,715	60.11
Vested	(298,763)	17.53
Forfeited	(2,957)	30.13
Non-vested at June 30, 2012	349,008	$ 35.66

As of June 30, 2012, there was $6,655 of unrecognized stock-based compensation expense related to non-vested restricted stock awards. This cost is expected to be recognized over a weighted-average period of 1.8 years. The total fair value of shares of restricted stock that vested was $38 and $35 for the three months ended June 30, 2012 and 2011, respectively, and $17,730 and $5,840 for the six months ended June 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 six months ended June 30, 2012. There were no derivative instruments designated by the Company as fair value hedges for the three and six months ended June 30, 2011. As of June 30, 2012, the Company had 45,360,000 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 six months ended June 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. 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. These Treasury locks were designated as cash flow hedges. The Company refinanced all $250,000 aggregate principal amount of its 6 $^{5}/_{8}$% senior notes due 2016 (the 2016 Notes) through the issuance of $250,000 aggregate principal amount of its 3.60% senior notes due 2022 (the 2022 Notes) in July 2012.

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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 changes in fair value on these hedges are included in accumulated other comprehensive income (loss) to the extent effective, and will be reclassified into interest expense over the term of the senior notes.

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 June 30, 2012	December 31, 2011
Designated as hedging instruments			
Commodity forward contracts	Accounts receivable, net	$ 8,670	$
Not designated as hedging instruments			
Commodity forward contracts	Accounts receivable, net	1,379	2,437
Total asset derivatives		$ 10,049	$ 2,437

	Liability Derivatives		
	Balance Sheet Location	Fair Value as of June 30, 2012	December 31, 2011
Designated as hedging instruments			
Commodity forward contracts	Accrued liabilities	$ 544	$ 3,262
Treasury lock agreements	Accrued liabilities	813	
Not designated as hedging instruments			
Commodity forward contracts	Accrued liabilities	2,340	973
Total liability derivatives		$ 3,697	$ 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 six months ended June 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 June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Commodity forward contracts	Cost of sales	$ 2,397	$	$ 12,860	$

Hedged Items in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income on Hedged Items	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Firm commitment designated as the hedged item	Cost of sales	$ (2,397)	$	$ (14,061)	$

The following table reflects the impact of derivative instruments designated as cash flow hedges on the Company s consolidated statements of comprehensive income. There was no ineffectiveness recognized in the Company s consolidated statements of operations with regard to the Company s qualifying cash flow hedges for the three and six months ended June 30, 2012.

	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)			
	Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives in Cash Flow Hedging Relationships	2012	2011	2012	2011
Treasury lock agreements	$ (813)	$	$ (813)	$

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WESTLAKE CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Continued

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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 June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Commodity forward contracts	Cost of sales	$ (1,592)	$ 483	$ (1,031)	$ 467

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:

	June 30, 2012		
	Level 1	Level 2	Total
Derivative instruments			
Risk management assets Commodity forward contracts	$ 1,379	$ 8,670	$ 10,049
Risk management liabilities Commodity forward contracts		(2,884)	(2,884)
Risk management liabilities Treasury lock agreements	(813)		(813)
Firm commitments			
Hedged portion of firm commitment		544	544
Hedged portion of firm commitment		(8,670)	(8,670)
Marketable securities			
Available-for-sale equity securities	1,288		1,288

	December 31, 2011		
	Level 1	Level 2	Total
Derivative instruments			
Risk management assets	$ 1,090	$ 1,347	$ 2,437

Risk management liabilities		(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 six months ended June 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 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.

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	June 30, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
6 $^{5}/_{8}$% senior notes due 2016	$ 249,715	$ 252,160	$ 249,674	$ 254,890
6 $^{1}/_{2}$% senior notes due 2029	100,000	115,575	100,000	108,834
6 $^{3}/_{4}$% senior notes due 2032	250,000	280,583	250,000	263,988
2035 GO Zone 6 $^{1}/_{2}$% Notes	89,000	89,619	89,000	93,090
2035 IKE Zone 6 $^{1}/_{2}$% Notes	65,000	65,452	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 34.7% for the six months ended June 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, mostly offset by state income taxes. The effective income tax rate was 35.7% for the six months ended June 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, mostly 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 June 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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	$ 115,501	$ 81,049	$ 203,314	$ 164,593
Less:				
Net income attributable to participating securities	(606)	(715)	(1,240)	(1,492)
Net income attributable to common shareholders	$ 114,895	$ 80,334	$ 202,074	$ 163,101

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 June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Weighted average common shares basic	66,298,633	65,999,090	66,203,965	65,873,023
Plus incremental shares from:				
Assumed exercise of options	350,263	425,975	399,741	396,800
Weighted average common shares diluted	66,648,896	66,425,065	66,603,706	66,269,823
Earnings per share:				
Basic	$ 1.73	$ 1.22	$ 3.05	$ 2.48
Diluted	$ 1.72	$ 1.21	$ 3.03	$ 2.46

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Excluded from the computation of diluted earnings per share are options to purchase 327,669 and 112,154 shares of common stock for the three months ended June 30, 2012 and 2011, respectively, and 346,957 and 178,522 shares of common stock for the six months ended June 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 June 30,				Six Months Ended June 30,			
	Pension		Post-retirement Healthcare		Pension		Post-retirement Healthcare	
	2012	2011	2012	2011	2012	2011	2012	2011
Service cost	$ 250	$ 224	$ 2	$ 4	$ 504	$ 481	$ 5	$ 8
Interest cost	645	681	185	209	1,291	1,361	370	419
Expected return on plan assets	(623)	(570)			(1,244)	(1,139)		
Amortization of transition obligation				28				57
Amortization of prior service cost	74	74	21	47	148	148	42	93
Amortization of net loss	445	322	44	28	884	626	88	56
Net periodic benefit cost	$ 791	$ 731	$ 252	$ 316	$ 1,583	$ 1,477	$ 505	$ 633

The Company contributed $1,021 and $796 to the Salaried pension plan in the first six months of 2012 and 2011, respectively, and contributed $659 and $432 to the Wage pension plan in the first six months of 2012 and 2011, respectively. The Company expects to make additional contributions of $1,841 to the Salaried pension plan and $1,264 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.

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

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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.

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 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.

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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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net external sales				
Olefins				
Polyethylene	$ 398,023	$ 467,851	$ 843,443	$ 914,554
Ethylene, styrene and other	274,696	177,464	561,547	335,841
Total Olefins	672,719	645,315	1,404,990	1,250,395
Vinyls				
PVC, caustic soda and other	163,623	193,311	378,006	385,168
Building products	77,616	86,423	165,829	156,738
Total Vinyls	241,239	279,734	543,835	541,906
	$ 913,958	$ 925,049	$ 1,948,825	$ 1,792,301
Intersegment sales				
Olefins	$ 69,443	$ 112,174	$ 170,900	$ 218,444
Vinyls	388	404	776	724
	$ 69,831	$ 112,578	$ 171,676	$ 219,168
Income (loss) from operations				
Olefins	$ 155,891	$ 132,767	$ 285,098	$ 278,023
Vinyls	22,583	10,290	43,665	7,442
Corporate and other	(7,496)	(4,688)	(12,160)	(6,459)
	$ 170,978	$ 138,369	$ 316,603	$ 279,006
Depreciation and amortization				
Olefins	$ 24,070	$ 21,608	$ 47,833	$ 43,252
Vinyls	11,589	11,041	23,098	21,815
Corporate and other	124	156	246	316
	$ 35,783	$ 32,805	$ 71,177	$ 65,383

Other income (expense), net				
Olefins	$ 1,001	$ 904	$ 1,957	$ 1,084
Vinyls	(272)	(30)	(31)	481
Corporate and other	378	758	528	1,274
	$ 1,107	$ 1,632	$ 2,454	$ 2,839
Provision for (benefit from) income taxes				
Olefins	$ 52,345	$ 45,247	$ 94,520	$ 93,538
Vinyls	6,417	2,723	12,433	570
Corporate and other	2,203	(1,820)	994	(2,578)
	$ 60,965	$ 46,150	$ 107,947	$ 91,530
Capital expenditures				
Olefins	$ 27,821	$ 15,450	$ 45,302	$ 33,399
Vinyls	45,994	22,376	92,834	35,007
Corporate and other	1,851	697	2,432	772
	$ 75,666	$ 38,523	$ 140,568	$ 69,178

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A reconciliation of total segment income from operations to consolidated income before income taxes is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Income from operations	$ 170,978	$ 138,369	$ 316,603	$ 279,006
Interest expense	(11,571)	(12,802)	(23,748)	(25,722)
Gain from sales of equity securities	15,952		15,952	
Other income, net	1,107	1,632	2,454	2,839
Income before income taxes	$ 176,466	$ 127,199	$ 311,261	$ 256,123

	June 30, 2012	December 31, 2011
Total assets		
Olefins	$ 1,371,679	$ 1,441,752
Vinyls	905,699	824,825
Corporate and other	1,164,560	1,000,244
	$ 3,441,938	$ 3,266,821

15. Subsequent Events

On July 17, 2012, the Company issued $250,000 aggregate principal amount of the 2022 Notes. On July 30, 2012, the Company voluntarily redeemed all $250,000 aggregate principal amount of 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 expects to recognize $6,797 in non-operating expense in the third quarter of 2012 consisting of a pre-payment premium of $5,520 and a write-off of $1,277 in previously capitalized debt issuance costs.

The Treasury lock agreements executed by the Company to fix the Treasury yield component of the interest cost of financing the anticipated issuance of senior notes were settled in July 2012, subsequent to the issuance of the 2022 Notes. The Treasury locks were settled 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.

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

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16. Guarantor Disclosures

As of June 30, 2012, the Company s payment obligations under the 2016 Notes were fully and unconditionally guaranteed by each of its then existing subsidiaries that guaranteed other debt of the Company or of another guarantor of the 2016 Notes in excess of $5,000 (the Guarantor Subsidiaries). As of June 30, 2012, each Guarantor Subsidiary was 100% owned by Westlake Chemical Corporation. These guarantees were 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 did not guarantee the 2016 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 June 30, 2012

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheet					
Current assets					
Cash and cash equivalents	$ 1,083,192	$ 4,691	$ 22,655	$	$ 1,110,538
Accounts receivable, net	27,934	1,652,181	5,759	(1,267,874)	418,000
Inventories		392,643	14,481		407,124
Prepaid expenses and other current assets	193	12,458	2,764		15,415
Deferred income taxes	430	19,049	214		19,693
Total current assets	1,111,749	2,081,022	45,873	(1,267,874)	1,970,770
Property, plant and equipment, net		1,301,589	8,163		1,309,752
Equity investments	2,811,361	53,800	33,923	(2,854,269)	44,815
Restricted cash	20,452				20,452
Other assets, net	17,959	94,815	1,896	(18,521)	96,149
Total assets	$ 3,961,521	$ 3,531,226	$ 89,855	$ (4,140,664)	$ 3,441,938
Current liabilities					
Accounts payable	$ 1,246,389	$ 190,789	$ 12,744	$ (1,241,613)	$ 208,309
Accrued liabilities	9,053	146,419	557	(26,261)	129,768
Total current liabilities	1,255,442	337,208	13,301	(1,267,874)	338,077
Long-term debt	753,715	10,889	11,500	(11,500)	764,604
Deferred income taxes		343,299	884	(7,021)	337,162
Other liabilities	53	49,697	34		49,784
Stockholders equity	1,952,311	2,790,133	64,136	(2,854,269)	1,952,311

Total liabilities and stockholders equity	$ 3,961,521	$ 3,531,226	$ 89,855	$ (4,140,664)	$ 3,441,938

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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 June 30, 2012

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Statement of Operations					
Net sales	$	$ 902,684	$ 13,435	$ (2,161)	$ 913,958
Cost of sales		703,421	10,802	(2,161)	712,062
Gross profit		199,263	2,633		201,896
Selling, general and administrative expenses	497	28,933	1,488		30,918
(Loss) income from operations	(497)	170,330	1,145		170,978
Interest expense	(11,562)	(9)			(11,571)
Gain from sales of equity securities	1	15,951			15,952
Other income (expense), net	3,954	(1,279)	(1,568)		1,107
(Loss) income before income taxes	(8,104)	184,993	(423)		176,466
(Benefit from) provision for income taxes	(3,434)	65,400	(1,001)		60,965
Equity in net income of subsidiaries	120,171			(120,171)	
Net income	$ 115,501	$ 119,593	$ 578	$ (120,171)	$ 115,501
Comprehensive income	$ 97,500	$ 102,562	$ 129	$ (102,691)	$ 97,500

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

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Statement of Operations					
Net sales	$	$ 914,907	$ 11,477	$ (1,335)	$ 925,049
Cost of sales		748,539	10,750	(1,335)	757,954
Gross profit		166,368	727		167,095
Selling, general and administrative expenses	1,012	26,292	1,422		28,726
(Loss) income from operations	(1,012)	140,076	(695)		138,369
Interest expense	(12,767)	(35)			(12,802)
Other income (expense), net	1,819	(326)	139		1,632

(Loss) income before income taxes		(11,960)		139,715		(556)				127,199
(Benefit from) provision for income taxes		(3,831)		49,911		70				46,150
Equity in net income of subsidiaries		89,178						(89,178)		
Net income (loss)	$	81,049	$	89,804	$	(626)	$	(89,178)	$	81,049
Comprehensive income (loss)	$	81,126	$	90,090	$	(835)	$	(89,255)	$	81,126

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Condensed Consolidating Financial Information for the Six Months Ended June 30, 2012

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Statement of Operations					
Net sales	$	$ 1,929,016	$ 23,278	$ (3,469)	$ 1,948,825
Cost of sales		1,558,408	19,353	(3,469)	1,574,292
Gross profit		370,608	3,925		374,533
Selling, general and administrative expenses	1,002	53,688	3,240		57,930
(Loss) income from operations	(1,002)	316,920	685		316,603
Interest expense	(23,733)	(15)			(23,748)
Gain from sales of equity securities	1	15,951			15,952
Other income (expense), net	7,488	(2,978)	(2,056)		2,454
(Loss) income before income taxes	(17,246)	329,878	(1,371)		311,261
(Benefit from) provision for income taxes	(6,607)	115,633	(1,079)		107,947
Equity in net income of subsidiaries	213,953			(213,953)	
Net income (loss)	$ 203,314	$ 214,245	$ (292)	$ (213,953)	$ 203,314
Comprehensive income (loss)	$ 202,519	$ 213,908	$ (229)	$ (213,679)	$ 202,519

Condensed Consolidating Financial Information for the Six Months Ended June 30, 2011

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Statement of Operations					
Net sales	$	$ 1,774,860	$ 19,622	$ (2,181)	$ 1,792,301
Cost of sales		1,440,781	19,022	(2,181)	1,457,622
Gross profit		334,079	600		334,679
Selling, general and administrative expenses	2,024	51,041	2,608		55,673
(Loss) income from operations	(2,024)	283,038	(2,008)		279,006
Interest expense	(25,676)	(46)			(25,722)
Other income (expense), net	5,015	(3,041)	865		2,839

(Loss) income before income taxes	(22,685)	279,951	(1,143)		256,123
(Benefit from) provision for income taxes	(7,349)	99,057	(178)		91,530
Equity in net income of subsidiaries	179,929			(179,929)	
Net income (loss)	$ 164,593	$ 180,894	$ (965)	$ (179,929)	$ 164,593
Comprehensive income (loss)	$ 165,478	$ 181,455	$ (641)	$ (180,814)	$ 165,478

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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 Six Months Ended June 30, 2012

	Westlake Chemical Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Statement of Cash Flows					
Cash flows from operating activities					
Net income (loss)	$ 203,314	$ 214,245	$ (292)	$ (213,953)	$ 203,314
Adjustments to reconcile net income (loss) to net cash (used for) provided by operating activities					
Depreciation and amortization	801	69,514	1,663		71,978
Deferred income taxes	(717)	7,270	167		6,720
Net changes in working capital and other	(213,972)	45,051	(4,430)	213,953	40,602
Net cash (used for) provided by operating activities	(10,574)	336,080	(2,892)		322,614
Cash flows from investing activities					
Additions to property, plant and equipment		(139,876)	(692)		(140,568)
Construction of assets pending sale-leaseback		(1,760)			(1,760)
Proceeds from disposition of assets		412	3		415
Proceeds from repayment of loan to affiliate			596		596
Proceeds from sales of equity securities	3	46,024			46,027
Purchase of investments		(2,961)			(2,961)
Settlements of derivative instruments		511			511
Net cash provided by (used for) investing activities	3	(97,650)	(93)		(97,740)
Cash flows from financing activities					
Intercompany financing	230,680	(236,256)	5,576		
Capitalized debt issuance costs	(98)				(98)
Dividends paid	(9,838)				(9,838)
Proceeds from exercise of stock options	4,508				4,508