

**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, 2022**

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 Corporation**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**76-0346924**  
(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	WLK	The New York Stock Exchange
1.625% Senior Notes due 2029	WLK29	The New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). **Yes**  **No**

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

<b>Large accelerated filer</b>	<input checked="" type="checkbox"/>	<b>Accelerated filer</b>	<input type="checkbox"/>
<b>Non-accelerated filer</b>	<input type="checkbox"/>	<b>Smaller reporting company</b>	<input type="checkbox"/>
		<b>Emerging growth company</b>	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 October 28, 2022 was 127,537,599.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**WESTLAKE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited)

	September 30, 2022	December 31, 2021
	(in millions of dollars, except par values and share amounts)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,778	\$ 1,908
Accounts receivable, net	2,181	1,868
Inventories	2,024	1,407
Prepaid expenses and other current assets	118	80
Total current assets	6,101	5,263
Property, plant and equipment, net	8,301	7,606
Operating lease right-of-use assets	583	562
Goodwill	2,143	2,024
Customer relationships, net	1,005	1,083
Other intangible assets, net	570	497
Equity method investments	1,147	1,007
Other assets, net	575	417
<b>Total assets</b>	<b>\$ 20,425</b>	<b>\$ 18,459</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable	\$ 994	\$ 879
Accrued and other liabilities	1,461	1,196
Current portion of long-term debt, net	6	269
Total current liabilities	2,461	2,344
Long-term debt, net	4,813	4,911
Deferred income taxes	1,803	1,681
Pension and other post-retirement benefits	394	291
Operating lease liabilities	474	461
Other liabilities	292	243
Total liabilities	10,237	9,931
Commitments and contingencies (Note 14)		
Stockholders' equity		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 300,000,000 shares authorized; 134,651,380 and 134,651,380 shares issued at September 30, 2022 and December 31, 2021, respectively	1	1
Common stock, held in treasury, at cost; 6,992,435 and 6,735,639 shares at September 30, 2022 and December 31, 2021, respectively	(439)	(399)
Additional paid-in capital	590	581
Retained earnings	9,700	7,808
Accumulated other comprehensive loss	(231)	(36)
Total Westlake Corporation stockholders' equity	9,621	7,955
Noncontrolling interests	567	573
Total equity	10,188	8,528
<b>Total liabilities and equity</b>	<b>\$ 20,425</b>	<b>\$ 18,459</b>

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

**WESTLAKE CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in millions of dollars, except per share data and share amounts)			
Net sales	\$ 3,956	\$ 3,055	\$ 12,495	\$ 8,271
Cost of sales	3,180	2,037	8,989	5,872
Gross profit	776	1,018	3,506	2,399
Selling, general and administrative expenses	215	122	635	383
Amortization of intangibles	39	29	124	83
Restructuring, transaction and integration-related costs	6	6	24	6
Income from operations	516	861	2,723	1,927
<b>Other income (expense)</b>				
Interest expense	(44)	(61)	(134)	(130)
Other income, net	24	13	52	35
Income before income taxes	496	813	2,641	1,832
Provision for income taxes	84	193	592	423
Net income	412	620	2,049	1,409
Net income attributable to noncontrolling interests	11	13	34	38
<b>Net income attributable to Westlake Corporation</b>	<b>\$ 401</b>	<b>\$ 607</b>	<b>\$ 2,015</b>	<b>\$ 1,371</b>
Earnings per common share attributable to Westlake Corporation:				
Basic	\$ 3.12	\$ 4.71	\$ 15.65	\$ 10.65
Diluted	\$ 3.10	\$ 4.69	\$ 15.54	\$ 10.60
Weighted average common shares outstanding:				
Basic	127,943,400	128,060,193	128,118,160	128,053,337
Diluted	128,747,012	128,765,814	129,003,750	128,710,097

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

**WESTLAKE CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in millions of dollars)			
Net income	\$ 412	\$ 620	\$ 2,049	\$ 1,409
Other comprehensive income (loss), net of income taxes				
Pension and other post-retirement benefits liability				
Pension and other post-retirement benefits reserves adjustment	—	1	1	1
Income tax provision on pension and other post-retirement benefits liability	—	(1)	—	(1)
Foreign currency translation adjustments				
Foreign currency translation	(106)	(13)	(175)	2
Income tax provision on foreign currency translation	(13)	(6)	(29)	(13)
Other comprehensive loss, net of income taxes	(119)	(19)	(203)	(11)
Comprehensive income	293	601	1,846	1,398
Comprehensive income attributable to noncontrolling interests, net of tax of \$1 and \$1 for the three months ended September 30, 2022 and 2021; and net of tax of \$3 and \$2 for the nine months ended September 30, 2022 and 2021, respectively	7	13	26	38
Comprehensive income attributable to Westlake Corporation	\$ 286	\$ 588	\$ 1,820	\$ 1,360

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

**WESTLAKE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(Unaudited)

	<u>Common Stock</u>		<u>Common Stock, Held in Treasury</u>			Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Number of Shares	Amount	Number of Shares	At Cost	Additional Paid-in Capital				
(in millions of dollars, except share amounts)									
<b>Balances at December 31, 2021</b>	134,651,380	\$ 1	6,735,639	\$ (399)	\$ 581	\$ 7,808	\$ (36)	\$ 573	\$ 8,528
Net income	—	—	—	—	—	756	—	8	764
Other comprehensive loss	—	—	—	—	—	—	(9)	(2)	(11)
Shares issued—stock-based compensation	—	—	(403,743)	27	(17)	—	—	—	10
Stock-based compensation	—	—	—	—	8	—	—	—	8
Dividends declared	—	—	—	—	—	(39)	—	—	(39)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(10)	(10)
Noncontrolling interests	—	—	—	—	—	—	—	2	2
<b>Balances at March 31, 2022</b>	134,651,380	\$ 1	6,331,896	\$ (372)	\$ 572	\$ 8,525	\$ (45)	\$ 571	\$ 9,252
Net income	—	—	—	—	—	858	—	15	873
Other comprehensive loss	—	—	—	—	—	—	(71)	(2)	(73)
Common stock repurchased	—	—	412,490	(41)	—	—	—	—	(41)
Shares issued—stock-based compensation	—	—	(103,079)	5	1	—	—	—	6
Stock-based compensation	—	—	—	—	9	—	—	—	9
Dividends declared	—	—	—	—	—	(38)	—	—	(38)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(14)	(14)
<b>Balances at June 30, 2022</b>	134,651,380	\$ 1	6,641,307	\$ (408)	\$ 582	\$ 9,345	\$ (116)	\$ 570	\$ 9,974

**WESTLAKE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(Unaudited)

	<u>Common Stock</u>		<u>Common Stock, Held in Treasury</u>			Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Number of Shares	Amount	Number of Shares	At Cost	Additional Paid-in Capital				
	(in millions of dollars, except share amounts)								
Net income	—	—	—	—	—	401	—	11	412
Other comprehensive loss	—	—	—	—	—	—	(115)	(4)	(119)
Common stock repurchased	—	—	372,430	(32)	—	—	—	—	(32)
Shares issued—stock-based compensation	—	—	(21,302)	1	—	—	—	—	1
Stock-based compensation	—	—	—	—	8	—	—	—	8
Dividends declared	—	—	—	—	—	(46)	—	—	(46)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(10)	(10)
<b>Balances at September 30, 2022</b>	<b>134,651,380</b>	<b>\$ 1</b>	<b>6,992,435</b>	<b>\$ (439)</b>	<b>\$ 590</b>	<b>\$ 9,700</b>	<b>\$ (231)</b>	<b>\$ 567</b>	<b>\$ 10,188</b>

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

**WESTLAKE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(Unaudited)

	<u>Common Stock</u>		<u>Common Stock, Held in Treasury</u>			Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Number of Shares	Amount	Number of Shares	At Cost	Additional Paid-in Capital				
(in millions of dollars, except share amounts)									
<b>Balances at December 31, 2020</b>	134,651,380	\$ 1	6,821,174	\$ (401)	\$ 569	\$ 5,938	\$ (64)	\$ 535	\$ 6,578
Net income	—	—	—	—	—	242	—	11	253
Other comprehensive loss	—	—	—	—	—	—	(6)	(1)	(7)
Shares issued—stock-based compensation	—	—	(301,112)	22	(13)	—	—	—	9
Stock-based compensation	—	—	—	—	8	—	—	—	8
Dividends declared	—	—	—	—	—	(35)	—	—	(35)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(11)	(11)
Noncontrolling interests	—	—	—	—	—	—	—	30	30
<b>Balances at March 31, 2021</b>	134,651,380	\$ 1	6,520,062	\$ (379)	\$ 564	\$ 6,145	\$ (70)	\$ 564	\$ 6,825
Net income	—	—	—	—	—	522	—	14	536
Other comprehensive income	—	—	—	—	—	—	14	1	15
Shares issued—stock-based compensation	—	—	(18,397)	1	—	—	—	—	1
Stock-based compensation	—	—	—	—	7	—	—	—	7
Dividends declared	—	—	—	—	—	(34)	—	—	(34)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(11)	(11)
<b>Balances at June 30, 2021</b>	134,651,380	\$ 1	6,501,665	\$ (378)	\$ 571	\$ 6,633	\$ (56)	\$ 568	\$ 7,339

**WESTLAKE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(Unaudited)

	<u>Common Stock</u>		<u>Common Stock, Held in Treasury</u>			Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Number of Shares	Amount	Number of Shares	At Cost	Additional Paid-in Capital				
	(in millions of dollars, except share amounts)								
Net income	—	—	—	—	—	607	—	13	620
Other comprehensive loss	—	—	—	—	—	—	(19)	—	(19)
Common stock repurchased	—	—	355,800	(30)	—	—	—	—	(30)
Shares issued—stock-based compensation	—	—	(27,148)	2	(2)	—	—	—	—
Stock-based compensation	—	—	—	—	7	—	—	—	7
Dividends declared	—	—	—	—	—	(38)	—	—	(38)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(10)	(10)
<b>Balances at September 30, 2021</b>	<u>134,651,380</u>	<u>\$ 1</u>	<u>6,830,317</u>	<u>\$ (406)</u>	<u>\$ 576</u>	<u>\$ 7,202</u>	<u>\$ (75)</u>	<u>\$ 571</u>	<u>\$ 7,869</u>

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

**WESTLAKE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
(in millions of dollars)		
<b>Cash flows from operating activities</b>		
Net income	\$ 2,049	\$ 1,409
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	785	600
Stock-based compensation expense	26	23
Loss from disposition and write-off of property, plant and equipment	36	14
Deferred income taxes	44	50
Other losses, net	24	21
Changes in operating assets and liabilities, net of effect of business acquisitions		
Accounts receivable	(100)	(414)
Inventories	(338)	(180)
Prepaid expenses and other current assets	(18)	(49)
Accounts payable	2	184
Accrued and other liabilities	206	78
Other, net	(156)	(99)
Net cash provided by operating activities	<u>2,560</u>	<u>1,637</u>
<b>Cash flows from investing activities</b>		
Acquisition of business, net of cash acquired	(1,171)	(428)
Additions to investments in unconsolidated subsidiaries	(177)	(19)
Additions to property, plant and equipment	(811)	(414)
Other, net	11	19
Net cash used for investing activities	<u>(2,148)</u>	<u>(842)</u>
<b>Cash flows from financing activities</b>		
Debt issuance costs	—	(18)
Distributions to noncontrolling interests	(34)	(32)
Dividends paid	(123)	(107)
Proceeds from debt issuance	—	1,668
Repayment of senior notes	(250)	—
Repurchase of common stock for treasury	(68)	(30)
Other, net	(5)	6
Net cash provided by (used for) financing activities	<u>(480)</u>	<u>1,487</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(67)	(9)
Net increase (decrease) in cash, cash equivalents and restricted cash	(135)	2,273
Cash, cash equivalents and restricted cash at beginning of period	1,941	1,337
Cash, cash equivalents and restricted cash at end of period	<u>\$ 1,806</u>	<u>\$ 3,610</u>

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

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(in millions 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 ("U.S. GAAP") have not been included. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Westlake Corporation, formerly known as Westlake Chemical Corporation (the "Company"), included in the annual report on Form 10-K for the fiscal year ended December 31, 2021 (the "2021 Form 10-K"), filed with the SEC on February 23, 2022. The Company changed its name from Westlake Chemical Corporation to Westlake Corporation on February 18, 2022. These consolidated 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, 2021. The Company operates as an integrated global manufacturer and marketer of performance and essential materials and housing and infrastructure products. These products include some of the most widely used materials in the world, which are fundamental to many diverse consumer and industrial markets, including residential construction, flexible and rigid packaging products, mobility and transportation products, healthcare products, materials used in turbines to generate wind energy, water treatment, coatings as well as other durable and non-durable goods. The Company's customers range from large chemical processors and plastics fabricators to small construction contractors, municipalities and supply warehouses throughout North America, Europe and Asia.

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, 2022, its results of operations for the three and nine months ended September 30, 2022 and 2021, and the changes in its cash position for the nine months ended September 30, 2022 and 2021.

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 fiscal year ending December 31, 2022 or any other interim period. The preparation of consolidated financial statements in conformity with U.S. GAAP 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.

***Recasting of Certain Prior Period Information***

The Company had historically operated in two principal operating segments, Vinyls and Olefins. In the fourth quarter of 2021, the Company reorganized its business into two principal operating segments, Performance and Essential Materials and Housing and Infrastructure Products. These reporting changes have been retrospectively reflected in the segment results for all periods presented.

***Recent Accounting Pronouncement***

***Business Combinations - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers Update (ASU No.2021-08)***

In October 2021, the Financial Accounting Standards Board ("FASB") issued an accounting standards update that requires acquiring entities to recognize and measure contract assets and contract liabilities in a business combination in accordance with the accounting guidance on Revenue from Contracts with Customers (ASC 606). The guidance in this update improves comparability for both the recognition and measurement of acquired revenue contracts with customers as of the date of and after a business combination. The accounting standard will be effective for reporting periods beginning after December 15, 2022. Early adoption of the guidance is permitted. The Company does not expect that its adoption will have a material impact on the Company's consolidated financial position, results of operations and cash flows.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued**  
**(Unaudited)**  
**(in millions of dollars, except share amounts and per share data)**

***Inflation Reduction Act of 2022***

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA, among other provisions, imposes a 15% corporate alternative minimum tax on the adjusted financial statement income of certain large corporations effective for tax years beginning after December 31, 2022 and a 1% excise tax on stock repurchases made by publicly traded U.S. corporations after December 31, 2022. The Company is in the process of evaluating the IRA and the impact it may have on the Company's consolidated financial statements.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued**  
**(Unaudited)**  
**(in millions of dollars, except share amounts and per share data)**

## 2. Acquisitions

### *Hexion Epoxy Business.*

On November 24, 2021, the Company, through a wholly-owned subsidiary, entered into a Stock Purchase Agreement (the "Hexion Epoxy Purchase Agreement") by and among Hexion Inc. ("Hexion"), a New Jersey corporation, and solely for the limited purposes set forth therein, the Company. Pursuant to the terms of the Hexion Epoxy Purchase Agreement, the Company agreed to acquire all of the equity interests in Hexion's global epoxy business ("Westlake Epoxy"). On February 1, 2022, the Company completed its acquisition of Westlake Epoxy for a total purchase consideration of \$1,207 and accounted for the acquisition under the business combination method in accordance with Accounting Standard Codification Topic 805, Business Combinations. This acquisition represents a significant strategic expansion of the Company's Performance and Essential Materials businesses into additional high-growth, innovative and sustainability-oriented applications – such as wind turbine blades and light-weight automotive structural components. Because epoxies are produced from chlorine and caustic soda, the transaction also provides vertical integration with the Company's global chlor-alkali businesses. The assets acquired and liabilities assumed and the results of operations of the Westlake Epoxy business are included in the Performance and Essential Materials segment.

For the nine months ended September 30, 2022, the Company recognized acquisition-related costs of \$6 for advisory, consulting and professional fees, and other expenses that were expensed as restructuring, transaction and integration-related costs as a component of the income from operations. The acquisition of Westlake Epoxy on the statement of cash flows is presented net of the cash and restricted cash acquired.

The following table summarizes the fair value of identified assets acquired and liabilities assumed at the date of acquisition. The preliminary allocation of consideration transferred is based on management's estimates, judgments and assumptions. These estimates, judgments and assumptions are subject to change upon final valuation and should be treated as preliminary values. The final allocation of purchase consideration could include changes in the estimated fair value of (1) inventories; (2) property, plant and equipment; (3) intangible assets comprising of customer relationships, trade names, developed technologies; (4) deferred income taxes; (5) leases; and (6) other assets.

The information below represents the purchase price allocation:

Cash	\$	42
Accounts receivable		299
Inventories		346
Prepaid expenses and other current assets		24
Property, plant and equipment		660
Operating lease right-of-use assets		59
Intangible assets		145
Other assets		104
Total assets acquired		1,679
Accounts payable		189
Accrued and other liabilities		84
Deferred income taxes		95
Pensions and other post-retirement benefits		163
Operating lease liabilities		48
Other liabilities		19
Total liabilities assumed		598
Total identifiable net assets acquired		1,081
Noncontrolling interest		(2)
Goodwill		128
Total Westlake Corporation purchase consideration	\$	1,207

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued**  
**(Unaudited)**  
**(in millions of dollars, except share amounts and per share data)**

Management estimated that consideration paid exceeded the fair value of the net assets acquired. The excess of the total equity value of Westlake Epoxy based on the purchase consideration over net assets acquired was recorded as goodwill, most of which is not expected to be deductible for income tax purposes. The goodwill is primarily attributable to the assembled workforce and synergies expected to arise after the acquisition. The purchase accounting adjustments recorded since the date of the acquisition resulted in a \$9 increase in goodwill. Intangible assets acquired as a result of the Westlake Epoxy acquisition are amortized on a straight-line basis to reflect the pattern in which the economic benefits of the intangible assets are realized. The Company has preliminarily estimated the useful lives of trade names, technology and customer relationships as 19 years, 17 years and 11 years, respectively.

The fair value for trade names and technology were estimated using the income approach, specifically the relief-from-royalty method which estimates the cost savings that accrue to the owner of the intangible assets that would otherwise be payable as royalties or licenses fees on revenues earned through the use of the asset. The fair value of customer relationships was estimated using the multi-period excess earnings method. The excess earning method model estimates revenues and cash flows derived from the asset and then deducts portions of the cash flow that can be attributed to supporting assets. The resulting cash flow, which is attributable solely to the asset acquired, is then discounted at a rate of return commensurate with the risk of the asset to calculate the present value.

*Unaudited Pro Forma Financial Information*

The acquired Westlake Epoxy business contributed net sales and net income of \$1,146 and \$68, respectively, to the Company for the period from February 1, 2022 to September 30, 2022. The following unaudited pro forma summary presents the results of operations of the Company as if the acquisition of Westlake Epoxy occurred on January 1, 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	\$ 3,956	\$ 3,508	\$ 12,654	\$ 9,457
Net income attributable to Westlake Corporation	\$ 401	\$ 678	\$ 2,086	\$ 1,468

The amounts have been calculated after applying the Company's accounting policies and adjusting the results of Westlake Epoxy to reflect additional depreciation, amortization, and other purchase accounting adjustments assuming the fair value adjustments to the property, plant and equipment and intangibles assets and other purchase accounting adjustments have been applied on January 1, 2021. The pro forma amounts do not include any potential synergies, cost savings or other expected benefits of the acquisition, and are presented for illustrative purposes only and are not necessarily indicative of results that would have been achieved if the acquisition had occurred as of January 1, 2021 or of future operating performance.

*Boral Target Companies in North America.*

On October 1, 2021, the Company completed its acquisition of Boral Limited's North American building products businesses in roofing, siding, trim and shutters, decorative stone and windows (the "Boral Target Companies") for a total final purchase consideration of \$2,140 in an all-cash transaction. The assets acquired and liabilities assumed and the results of operations of the Boral Target Companies are included in the Housing and Infrastructure Products segment. The Company recognized intangible assets of \$952, of which \$645 is included in customer relationships, net on the Company's consolidated balance sheets and goodwill of \$787. The purchase accounting adjustments for the nine months ended September 30, 2022, resulted in a \$16 increase in goodwill. The intangible assets that have been acquired are being amortized over periods of 12 to 22 years.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued**  
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The information below represents the final purchase price allocation:

Cash	\$	5
Accounts receivable		119
Inventories		156
Prepaid expenses and other current assets		3
Property, plant and equipment		482
Operating lease right-of-use assets		87
Intangible assets		952
Other assets		18
Total assets acquired		1,822
Accounts payable		46
Accrued and other liabilities		105
Deferred income taxes		243
Operating lease liabilities		73
Other liabilities		2
Total liabilities assumed		469
Total identifiable net assets acquired		1,353
Goodwill		787
Total Westlake Corporation purchase consideration	\$	2,140

***LASCO Fittings, Inc.***

On August 19, 2021, the Company completed its acquisition of LASCO Fittings, Inc., a Delaware corporation ("LASCO"), a manufacturer of injected-molded polyvinyl chloride ("PVC") fittings that serve the plumbing, pool and spa, industrial, irrigation and retail markets in the United States, for a total final closing purchase consideration of \$277. The assets acquired and liabilities assumed and the results of operations of LASCO are included in the Housing and Infrastructure Products segment. The Company recognized intangible assets of \$77, of which \$50 is included in customer relationships, net on the Company's consolidated balance sheets and goodwill of \$105, with the remainder of the purchase consideration primarily allocated to property, plant and equipment, net and working capital balances. The intangible assets that have been acquired are being amortized over periods of 17 to 18 years.

***Dimex LLC.***

On September 10, 2021, the Company completed its acquisition of DX Acquisition Corp., a Delaware corporation ("Dimex"), a producer of various consumer products made from post-industrial-recycled PVC, polyethylene and thermoplastic elastomer materials, including, landscape edging; home, office and industrial matting; marine dock edging; and masonry joint controls. The total final closing purchase consideration was \$172. The assets acquired and liabilities assumed and the results of operations of Dimex are included in the Housing and Infrastructure Products segment. The Company recognized intangible assets of \$72, of which \$48 is included in customer relationships, net on the Company's consolidated balance sheets and goodwill of \$68, with the remainder of the purchase consideration primarily allocated to property, plant and equipment, net and working capital balances. The intangible assets that have been acquired are being amortized over periods of 17 to 19 years.

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**3. Financial Instruments****Restricted Cash and Cash Equivalents**

The Company had restricted cash and cash equivalents of \$28 and \$33 at September 30, 2022 and December 31, 2021, respectively. The Company's restricted cash and cash equivalents are primarily related to balances that are restricted for payment of distributions to certain of the Company's current and former employees. In addition, the Company's restricted cash and cash equivalents include RS Cogen, L.L.C. ("RS Cogen") cash that is restricted under its senior credit facility. Restricted cash and cash equivalents are reflected primarily in other assets, net in the consolidated balance sheets.

**4. Accounts Receivable**

Accounts receivable consist of the following:

	September 30, 2022	December 31, 2021
Trade customers	\$ 2,001	\$ 1,764
Related parties	3	3
Allowance for credit losses	(36)	(26)
	1,968	1,741
Federal and state taxes	124	62
Other	89	65
Accounts receivable, net	<u>\$ 2,181</u>	<u>\$ 1,868</u>

**5. Inventories**

Inventories consist of the following:

	September 30, 2022	December 31, 2021
Finished products	\$ 1,285	\$ 842
Feedstock, additives, chemicals and other raw materials	530	374
Materials and supplies	209	191
Inventories	<u>\$ 2,024</u>	<u>\$ 1,407</u>

**6. Goodwill**

The gross carrying amounts and changes in the carrying amount of goodwill for the nine months ended September 30, 2022 were as follows:

	Performance and Essential Materials Segment	Housing and Infrastructure Products Segment	Total
Balances at December 31, 2021	\$ 902	\$ 1,122	\$ 2,024
Goodwill acquired during the period	119	—	119
Measurement period adjustments	9	16	25
Effects of changes in foreign exchange rates	(17)	(8)	(25)
Balances at September 30, 2022	<u>\$ 1,013</u>	<u>\$ 1,130</u>	<u>\$ 2,143</u>

**WESTLAKE CORPORATION**  
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**7. Accounts Payable**

Accounts payable consist of the following:

	September 30, 2022	December 31, 2021
Accounts payable—third parties	\$ 971	\$ 849
Accounts payable to related parties	21	15
Notes payable	2	15
Accounts payable	<u>\$ 994</u>	<u>\$ 879</u>

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**8. Long-Term Debt**

Long-term debt consists of the following:

	September 30, 2022			December 31, 2021		
	Principal Amount	Unamortized Discount and Debt Issuance Costs	Net Long-term Debt	Principal Amount	Unamortized Discount and Debt Issuance Costs	Net Long-term Debt
3.60% senior notes due 2022 (the "3.60% 2022 Senior Notes")	\$ —	\$ —	\$ —	\$ 250	\$ —	\$ 250
0.875% senior notes due 2024 (the "0.875% 2024 Senior Notes")	300	(2)	298	300	(2)	298
3.60% senior notes due 2026 (the "3.60% 2026 Senior Notes")	750	(4)	746	750	(5)	745
Loan related to tax-exempt waste disposal revenue bonds due 2027	11	—	11	11	—	11
1.625% senior notes due 2029 (the "1.625% 2029 Senior Notes")	686	(7)	679	794	(8)	786
3.375% senior notes due 2030 (the "3.375% 2030 Senior Notes")	300	(3)	297	300	(4)	296
3.50% senior notes due 2032 (the "3.50% 2032 GO Zone Refunding Senior Notes")	250	(1)	249	250	(1)	249
2.875% senior notes due 2041 (the "2.875% 2041 Senior Notes")	350	(11)	339	350	(11)	339
5.0% senior notes due 2046 (the "5.0% 2046 Senior Notes")	700	(21)	679	700	(22)	678
4.375% senior notes due 2047 (the "4.375% 2047 Senior Notes")	500	(8)	492	500	(8)	492
3.125% senior notes due 2051 (the "3.125% 2051 Senior Notes")	600	(22)	578	600	(23)	577
3.375% senior notes due 2061 (the "3.375% 2061 Senior Notes")	450	(18)	432	450	(19)	431
8.73% RS Cogen debt due 2022 (the "8.73% 2022 RS Cogen Debt")	6	—	6	19	—	19
Term loans due 2026 (the "2026 Term Loans")	13	—	13	9	—	9
Total long-term debt	4,916	(97)	4,819	5,283	(103)	5,180
Less current portion:						
3.60% 2022 Senior Notes	—	—	—	(250)	—	(250)
8.73% 2022 RS Cogen Debt	(6)	—	(6)	(19)	—	(19)
Long-term debt, net of current portion	<u>\$ 4,910</u>	<u>\$ (97)</u>	<u>\$ 4,813</u>	<u>\$ 5,014</u>	<u>\$ (103)</u>	<u>\$ 4,911</u>

Unamortized debt issuance costs on long-term debt were \$41 and \$42 at September 30, 2022 and December 31, 2021, respectively.

As of September 30, 2022, the Company was in compliance with all of its long-term debt covenants.

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***New Credit Agreement***

On June 9, 2022, the Company entered into a new \$1,500 revolving credit facility that is scheduled to mature on June 9, 2027 (the "New Credit Agreement") and, in connection therewith, terminated the Company's existing revolving credit agreement. The New Credit Agreement bears interest at either (a) Adjusted Term Secured Overnight Financing Rate (as defined in the New Credit Agreement) plus a margin ranging from 1.000% to 1.625% per annum or (b) Alternate Base Rate (as defined in the New Credit Agreement) plus a margin ranging from 0.000% to 0.625% per annum, in each case depending on the credit rating of the Company. The New Credit Agreement contains certain affirmative and negative covenants, including a quarterly total leverage ratio financial maintenance covenant. As of September 30, 2022, the Company was in compliance with the total leverage ratio financial maintenance covenant. The New Credit Agreement also contains certain events of default and, if and for so long as certain events of default have occurred and are continuing, any overdue amounts outstanding under the New Credit Agreement will accrue interest at an increased rate, the lenders can terminate their commitments to lend thereunder and payments of any outstanding amounts thereunder could be accelerated by the lenders. None of the Company's subsidiaries are required to guarantee the obligations of the Company under the New Credit Agreement.

The New Credit Agreement includes a \$150 sub-limit for letters of credit, and any outstanding letters of credit will be deducted from availability under the facility. The New Credit Agreement also provides for a discretionary \$50 commitment for swingline loans to be provided on a same-day basis. The Company may also increase the size of the facility, in increments of at least \$25, up to a maximum of \$500, subject to certain conditions and if certain lenders agree to commit to such an increase.

As of September 30, 2022, the Company had no borrowings and no letters of credit outstanding, and had borrowing availability of \$1,500, under the New Credit Agreement.

***Redemption of 3.60% Senior Notes Due 2022***

During April 2022, the Company provided notice to the trustee of the 3.60% 2022 Senior Notes that the Company had elected to redeem all of the outstanding 3.60% 2022 Senior Notes on May 14, 2022 (the "Redemption Date") pursuant to its optional redemption right under the indenture governing the 3.60% 2022 Senior Notes. The 3.60% 2022 Senior Notes were redeemed on May 14, 2022. The redemption price was equal to 100% of the principal amount of the 3.60% 2022 Senior Notes, plus accrued and unpaid interest on the 3.60% 2022 Senior Notes to the Redemption Date.

**9. Accumulated Other Comprehensive Income (Loss)**

Changes in accumulated other comprehensive income (loss) by component for the nine months ended September 30, 2022 and 2021 were as follows:

	Pension and Other Post-Retirement Benefits Liability, Net of Tax	Cumulative Foreign Currency Exchange, Net of Tax	Total
Balances at December 31, 2021	\$ 20	\$ (56)	\$ (36)
Other comprehensive gain (loss) attributable to Westlake Corporation	1	(196)	(195)
Balances at September 30, 2022	<u>\$ 21</u>	<u>\$ (252)</u>	<u>\$ (231)</u>
Balances at December 31, 2020	\$ (24)	\$ (40)	\$ (64)
Other comprehensive loss attributable to Westlake Corporation	—	(11)	(11)
Balances at September 30, 2021	<u>\$ (24)</u>	<u>\$ (51)</u>	<u>\$ (75)</u>

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### 10. 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 Company has 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 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 majority of 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.

The carrying and fair values of the Company's total long-term debt are summarized in the table below.

	September 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
3.60% 2022 Senior Notes	\$ —	\$ —	\$ 250	\$ 252
0.875% 2024 Senior Notes	298	280	298	287
3.60% 2026 Senior Notes	746	699	745	805
Loan related to tax-exempt waste disposal revenue bonds due 2027	11	11	11	11
1.625% 2029 Senior Notes	679	518	786	824
3.375% 2030 Senior Notes	297	254	296	319
3.50% 2032 GO Zone Refunding Senior Notes	249	223	249	271
2.875% 2041 Senior Notes	339	222	339	339
5.0% 2046 Senior Notes	679	586	678	885
4.375% 2047 Senior Notes	492	380	492	592
3.125% 2051 Senior Notes	578	369	577	582
3.375% 2061 Senior Notes	432	262	431	432
8.73% 2022 RS Cogen Debt	6	6	19	19
2026 Term Loans	13	13	9	9

### 11. Income Taxes

The effective income tax rate was 16.9% for the three months ended September 30, 2022 as compared to 23.7% for the three months ended September 30, 2021. The effective income tax rate for the three months ended September 30, 2022 was below the statutory rate of 21.0% primarily due to an increase in U.S. federal research and development credits available to the Company. The effective income tax rate for the three months ended September 30, 2021 was above the statutory rate of 21.0% primarily due to state and foreign taxes.

The effective income tax rate was 22.4% for the nine months ended September 30, 2022 as compared to 23.1% for the nine months ended September 30, 2021. The effective income tax rate for the nine months ended September 30, 2022 and September 30, 2021 was above the statutory rate of 21.0% primarily due to state and foreign taxes.

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**12. Earnings and Dividends per Share****Earnings per Share**

The Company has unvested restricted stock units 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 each period. Diluted earnings per share include the effects of certain stock options and performance stock units.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income attributable to Westlake Corporation	\$ 401	\$ 607	\$ 2,015	\$ 1,371
Less:				
Net income attributable to participating securities	(2)	(3)	(10)	(7)
Net income attributable to common shareholders	<u>\$ 399</u>	<u>\$ 604</u>	<u>\$ 2,005</u>	<u>\$ 1,364</u>

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Weighted average common shares—basic	127,943,400	128,060,193	128,118,160	128,053,337
Plus incremental shares from:				
Assumed exercise of options and vesting of performance stock units	803,612	705,621	885,590	656,760
Weighted average common shares—diluted	<u>128,747,012</u>	<u>128,765,814</u>	<u>129,003,750</u>	<u>128,710,097</u>
Earnings per common share attributable to Westlake Corporation:				
Basic	\$ 3.12	\$ 4.71	\$ 15.65	\$ 10.65
Diluted	<u>\$ 3.10</u>	<u>\$ 4.69</u>	<u>\$ 15.54</u>	<u>\$ 10.60</u>

Excluded from the computation of diluted earnings per share are options to purchase 587,530 and 426,918 shares of common stock for the three months ended September 30, 2022 and 2021, respectively; and 303,878 and 476,162 shares of common stock for the nine months ended September 30, 2022 and 2021, respectively. These options were outstanding during the periods reported but were excluded because the effect of including them would have been antidilutive.

**Dividends per Share**

Dividends per common share for the three and nine months ended September 30, 2022 and 2021 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Dividends per common share	<u>\$ 0.3570</u>	<u>\$ 0.2975</u>	<u>\$ 0.9520</u>	<u>\$ 0.8375</u>

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**13. Supplemental Information****Equity Method Investments***LACC, LLC Joint Venture*

On March 15, 2022, the Company completed the acquisition of an additional 3.2% of the membership interests in LACC, LLC ("LACC"), from Lotte Chemical Corporation for \$89. The Company accounts for its investment in LACC under the equity method of accounting and changes for the nine months ended September 30, 2022 were as follows:

	<b>Investment in LACC</b>
Balance at December 31, 2021	\$ 943
Cash contributions	87
Additional interest purchased	89
Depreciation and amortization	(32)
Balance at September 30, 2022	<u>\$ 1,087</u>

**Other Assets, Net**

Other assets, net were \$575 and \$417 at September 30, 2022 and December 31, 2021, respectively. Deferred turnaround costs, net of accumulated amortization, included in other assets, net were \$343 and \$261 at September 30, 2022 and December 31, 2021, respectively.

**Accrued and Other Liabilities**

Accrued and other liabilities were \$1,461 and \$1,196 at September 30, 2022 and December 31, 2021, respectively. Accrued rebates and accrued income taxes, which are components of accrued and other liabilities, were \$234 and \$141, respectively, at September 30, 2022 and \$213 and \$88, respectively, at December 31, 2021. No other component of accrued and other liabilities was more than five percent of total current liabilities. Accrued liabilities with related parties were \$39 and \$49 at September 30, 2022 and December 31, 2021, respectively.

**Restructuring, Transaction and Integration-Related Costs**

The restructuring, transaction and integration-related costs of \$6 for the three months ended September 30, 2022 and \$24 for the nine months ended September 30, 2022, and of \$6 for the three and nine months ended September 30, 2021, primarily consisted of costs associated with the Company's recent acquisitions.

**Non-cash Investing Activity**

Capital expenditure related liabilities, included in accounts payable and accrued and other liabilities, were \$149 and \$74 at September 30, 2022 and September 30, 2021, respectively.

**Operating Lease Supplemental Cash Flow**

Right-of-use assets obtained in exchange for operating lease obligations were \$138 and \$63 for the nine months ended September 30, 2022 and 2021, respectively.

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#### **14. Commitments and Contingencies**

The Company is involved in a number of legal and regulatory matters, principally environmental in nature, that are incidental to the normal conduct of its business, including lawsuits, investigations and claims. The outcome of these matters are inherently unpredictable. The Company believes that, in the aggregate, the outcome of all known legal and regulatory matters will not have a material adverse effect on its consolidated financial statements; however, under certain circumstances, if required to recognize costs in a specific period, when combined with other factors, outcomes with respect to such matters may be material to the Company's consolidated statements of operations in such period. The Company's assessment of the potential impact of environmental matters, in particular, is subject to uncertainty due to the complex, ongoing and evolving process of investigation and remediation of such environmental matters, and the potential for technological and regulatory developments. In addition, the impact of evolving claims and programs, such as natural resource damage claims, industrial site reuse initiatives and state remediation programs creates further uncertainty of the ultimate resolution of these matters. The Company anticipates that the resolution of many legal and regulatory matters, and in particular environmental matters, will occur over an extended period of time.

*Antitrust Proceedings.* The Company and other caustic soda producers were named as defendants in multiple purported class action civil lawsuits filed since March 2019 in the U.S. District Court for the Western District of New York. The lawsuits allege the defendants conspired to fix, raise, maintain and stabilize the price of caustic soda, restrict domestic (U.S.) supply of caustic soda and allocate caustic soda customers. The other defendants named in the lawsuits are Olin Corporation, K.A. Steel Chemicals (a wholly-owned subsidiary of Olin), Occidental Chemical Corporation d/b/a OxyChem, Shintech Incorporated, and Formosa Plastics Corporation, U.S.A. Each of the lawsuits is filed on behalf of the respective named plaintiff or plaintiffs and a putative class comprised of either direct purchasers or indirect purchasers of caustic soda in the U.S. The plaintiffs in the putative class for such direct purchasers seek \$861 in single damages from the defendants, in addition to treble damages and attorney's fees. The plaintiffs in the putative class for such indirect purchasers seek approximately \$500 in single damages from the defendants, in addition to treble damages (if permitted under applicable state law) and injunctive relief. The defendants' joint motion to dismiss the direct purchaser lawsuits was denied and the cases have proceeded to discovery. Beginning in October 2020, similar class action proceedings were also filed in Canada before the Superior Court of Quebec as well as before the Federal Court. These proceedings seek the certification or authorization of a class action on behalf of all residents of Canada who purchased caustic soda (including, in one of the cases, those who merely purchased products containing caustic soda) from October 1, 2015 through the present or such date deemed appropriate by the court. On December 10, 2021, the Superior Court of Quebec stayed its proceedings until after a final certification decision is released in the Federal Court proceedings. At this time, the Company is not able to estimate the impact, if any, that these lawsuits could have on the Company's consolidated financial statements either in the current period or in future periods.

*Environmental.* As of September 30, 2022 and December 31, 2021, the Company had reserves for environmental contingencies totaling approximately \$55 and \$56, respectively, most of which was classified as noncurrent liabilities. The Company's assessment of the potential impact of these environmental contingencies is subject to considerable uncertainty due to the complex, ongoing and evolving process of investigation and remediation, if necessary, of such environmental contingencies, and the potential for technological and regulatory developments.

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*Calvert City Proceedings.* For several years, the Environmental Protection Agency (the "EPA") has been conducting remedial investigation and feasibility studies at the Company's Calvert City, Kentucky facility pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"). As the current owner of the Calvert City facility, the Company was named by the EPA as a potentially responsible party ("PRP") along with Goodrich Corporation ("Goodrich") and its successor-in-interest, Avient Corporation (formerly known as PolyOne Corporation, "Avient"). On November 30, 2017, the EPA published a draft Proposed Plan, incorporating by reference an August 2015 draft Remedial Investigation ("RI") report, an October 2017 draft Feasibility Study ("FS") report and a Technical Impracticability Waiver document dated December 19, 2017. On June 18, 2018, the EPA published an amendment to its Proposed Plan. The amended Proposed Plan describes a final remedy for the onshore portion of the site comprised of a containment wall, targeted treatment and supplemental hydraulic containment. The amended Proposed Plan also describes an interim approach to address the contamination under the river that would include recovery of any mobile contaminants by an extraction well along with further study of the extent of the contamination and potential treatment options. The EPA's estimated cost of implementation is \$107, with an estimated \$1 to \$3 in annual operation and maintenance ("O&M") costs. In September 2018, the EPA published the Record of Decision ("ROD") for the site, formally selecting the preferred final and interim remedies outlined in the amended Proposed Plan. In October 2018, the EPA issued Special Notice letters to the PRPs for the remedial design phase of work under the ROD. In April 2019, the PRPs and the EPA entered into an administrative settlement agreement and order on consent for remedial design. In October 2019, the PRPs received special notice letters for the remedial action phase of work at the site. The Company, jointly with the other PRPs, submitted a good faith offer response in December 2019. On September 17, 2020, the EPA and the Department of Justice filed a proposed consent decree for the remedial action with the U.S. District Court for the Western District of Kentucky. On November 16, 2020, the Department of Justice filed a motion to approve and enter the consent decree. On January 28, 2021, the Court granted the unopposed motion to enter the consent decree, which became effective the same day. The Company's allocation of liability for remedial and O&M costs at the Calvert City site, if any, is governed by a series of agreements between the Company, Goodrich and Avient. These agreements and the associated litigation are described below.

In connection with the 1990 and 1997 acquisitions of the Goodrich chemical manufacturing complex in Calvert City, 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 by Goodrich's operations. In 1993, Goodrich spun off the predecessor of Avient, and that predecessor assumed Goodrich's indemnification obligations relating to preexisting contamination. In 2003, litigation arose among the Company, Goodrich and Avient 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) Avient 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; and (2) either the Company or Avient might, from time to time in the future (but not more than once every five years), institute an arbitration proceeding to adjust that percentage. In May 2017, Avient filed a demand for arbitration. In this proceeding, Avient sought to readjust the percentage allocation of future costs and to recover approximately \$11 from the Company in reimbursement of previously paid remediation costs. The Company's cross demand for arbitration seeking unreimbursed remediation costs incurred during the relevant period was dismissed from the proceedings when Avient paid such costs in full at the beginning of the arbitration hearing.

On July 10, 2018, Avient sued the Company in the U.S. District Court for the Western District of Kentucky and sought to invalidate the arbitration provisions in the parties' 2007 settlement agreement and enjoin the arbitration it had initiated in 2017. On July 30, 2018, the district court refused to enjoin the arbitration and, on January 15, 2019, the court granted the Company's motion to dismiss Avient's suit. On February 13, 2019, Avient appealed those decisions to the U.S. Court of Appeals for the Sixth Circuit. The court of appeals issued an opinion and final order on September 6, 2019, affirming the district court.

The arbitration hearing began in August 2018 and concluded in December 2018. On May 22, 2019, the arbitration panel issued its final award. It determined that Avient was responsible for 100% of the allocable costs at issue in the proceeding and that Avient would remain responsible for 100% of the costs to operate the existing groundwater remedy at the Calvert City site. In August 2019, Avient filed a motion to vacate before the U.S. District Court for the Western District of Kentucky, seeking to invalidate the final award under the Federal Arbitration Act. On February 11, 2020, the U.S. District Court for the Western District of Kentucky denied Avient's motion to vacate and affirmed the arbitration final award. Avient did not file a notice of appeal before the March 10, 2020 deadline to contest the court's decision. Accordingly, the final award was affirmed and the arbitration proceeding is fully and finally resolved.

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

In March 2022, the Company filed a demand for arbitration seeking reimbursement for certain allocable costs incurred during the applicable period since May 2017, and which Avient has failed to pay or disputed as not subject to indemnity under the 1990 and 1997 agreements. In April 2022, Avient filed a complaint in the federal district court for the Western District of Kentucky disputing the enforceability of the 2007 settlement agreement and seeking to enjoin arbitration. Avient claims that the allocable costs at issue are up to \$22, for which Avient claims the Company is totally liable. The Company disputes these claims and at this time, the Company believes it is unlikely that any remediation costs allocable to it would result in material expenditures in any individual reporting period.

*Other Matter.* In April 2018, Triad Hunter, LLC ("Triad Hunter") filed suit against the Company and certain of its subsidiaries in the Court of Common Pleas in Monroe County, Ohio seeking injunctive relief and alleging negligence and trespass at the Natrium Plant with respect to Triad Hunter's well drilling activities in Ohio. The case was initially dismissed. Triad Hunter appealed the dismissal, and in March 2019, the Court of Appeals in the Seventh Appellate District in Monroe County, Ohio reversed the dismissal. Trial began in October 2022. On October 27, 2022, the jury returned a verdict finding that the Company had committed trespass and was negligent in conducting salt mining operations at the Natrium Plant and awarded damages of approximately \$70. No final judgment has yet been entered. The final judgment could include punitive damages, pre-judgment interest, post-judgment interest, and attorneys' fees. If the final judgment orders the Company to pay any amount of damages, the Company will appeal that decision to the Court of Appeals. Upon receipt of the jury verdict, the Company reserved approximately \$70, in the quarter ended September 30, 2022, for the damages awarded to Triad Hunter.

*Environmental Remediation; Reasonably Possible Matters.* The Company's assessment of the potential impact of environmental contingencies is subject to considerable uncertainty due to the complex, ongoing and evolving process of investigation and remediation, if necessary, of such environmental contingencies, and the potential for technological and regulatory developments. As such, in addition to the amounts currently reserved, the Company may be subject to reasonably possible loss contingencies related to environmental matters in the range of \$65 to \$130.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued**  
**(Unaudited)**  
(in millions of dollars, except share amounts and per share data)

**15. Segment Information**

The Company had historically operated in two principal operating segments, Vinyls and Olefins. During the fourth quarter of 2021, the Company reorganized its business into two principal operating segments, Performance and Essential Materials and Housing and Infrastructure Products. These segments are strategic business units that offer a variety of different materials and products. The Company manages each segment separately as each business requires different technology and marketing strategies. These reporting changes have been retrospectively reflected in the segment results for all periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Net external sales</b>				
Performance and Essential Materials				
Performance Materials	\$ 1,689	\$ 1,588	\$ 5,678	\$ 4,333
Essential Materials	1,022	734	2,969	1,877
Total Performance and Essential Materials	<u>2,711</u>	<u>2,322</u>	<u>8,647</u>	<u>6,210</u>
Housing and Infrastructure Products				
Housing Products	1,018	536	3,106	1,491
Infrastructure Products	227	197	742	570
Total Housing and Infrastructure Products	<u>1,245</u>	<u>733</u>	<u>3,848</u>	<u>2,061</u>
	<u>\$ 3,956</u>	<u>\$ 3,055</u>	<u>\$ 12,495</u>	<u>\$ 8,271</u>
<b>Intersegment sales</b>				
Performance and Essential Materials	\$ 248	\$ 202	\$ 788	\$ 586
Housing and Infrastructure Products	—	—	—	—
	<u>\$ 248</u>	<u>\$ 202</u>	<u>\$ 788</u>	<u>\$ 586</u>
<b>Income (loss) from operations</b>				
Performance and Essential Materials	\$ 353	\$ 769	\$ 2,197	\$ 1,728
Housing and Infrastructure Products	186	103	607	270
Corporate and other	(23)	(11)	(81)	(71)
	<u>\$ 516</u>	<u>\$ 861</u>	<u>\$ 2,723</u>	<u>\$ 1,927</u>
<b>Depreciation and amortization</b>				
Performance and Essential Materials	\$ 196	\$ 168	\$ 572	\$ 497
Housing and Infrastructure Products	65	34	206	98
Corporate and other	3	1	7	5
	<u>\$ 264</u>	<u>\$ 203</u>	<u>\$ 785</u>	<u>\$ 600</u>

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued**  
**(Unaudited)**  
**(in millions of dollars, except share amounts and per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Other income, net</b>				
Performance and Essential Materials	\$ 12	\$ 9	\$ 25	\$ 25
Housing and Infrastructure Products	3	—	9	4
Corporate and other	9	4	18	6
	<u>\$ 24</u>	<u>\$ 13</u>	<u>\$ 52</u>	<u>\$ 35</u>
<b>Provision for (benefit from) income taxes</b>				
Performance and Essential Materials	\$ 40	\$ 179	\$ 464	\$ 388
Housing and Infrastructure Products	44	25	146	65
Corporate and other	—	(11)	(18)	(30)
	<u>\$ 84</u>	<u>\$ 193</u>	<u>\$ 592</u>	<u>\$ 423</u>
<b>Capital expenditures</b>				
Performance and Essential Materials	\$ 265	\$ 126	\$ 678	\$ 367
Housing and Infrastructure Products	51	17	126	45
Corporate and other	2	1	7	2
	<u>\$ 318</u>	<u>\$ 144</u>	<u>\$ 811</u>	<u>\$ 414</u>

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,	
	2022	2021	2022	2021
Income from operations	\$ 516	\$ 861	\$ 2,723	\$ 1,927
Interest expense	(44)	(61)	(134)	(130)
Other income, net	24	13	52	35
Income before income taxes	<u>\$ 496</u>	<u>\$ 813</u>	<u>\$ 2,641</u>	<u>\$ 1,832</u>

	September 30, 2022	December 31, 2021
<b>Total assets</b>		
Performance and Essential Materials	\$ 13,990	\$ 11,938
Housing and Infrastructure Products	5,129	5,021
Corporate and other	1,306	1,500
	<u>\$ 20,425</u>	<u>\$ 18,459</u>

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued**  
**(Unaudited)**  
**(in millions of dollars, except share amounts and per share data)**

**16. Westlake Chemical Partners LP**

In 2014, the Company formed Westlake Chemical Partners LP ("Westlake Partners") to operate, acquire and develop ethylene production facilities and related assets. Also in 2014, Westlake Partners completed its initial public offering of 12,937,500 common units.

As of September 30, 2022, Westlake Partners had a 22.8% limited partner interest in Westlake Chemical OpCo LP ("OpCo"), and the Company retained a 77.2% limited partner interest in OpCo and a significant interest in Westlake Partners through the Company's ownership of Westlake Partners' general partner, 40.1% of the limited partner interests (consisting of 14,122,230 common units) and incentive distribution rights.

On October 4, 2018, Westlake Partners and Westlake Partners GP, the general partner of Westlake Partners, entered into an Equity Distribution Agreement with UBS Securities LLC, Barclays Capital Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., RBC Capital Markets, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC to offer and sell Westlake Partners' common units, from time to time, up to an aggregate offering amount of \$50. This Equity Distribution Agreement was amended on February 28, 2020 to reference a new shelf registration for utilization under this agreement. No common units were issued under this program as of September 30, 2022.

## **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 Corporation and the notes thereto and the consolidated financial statements and notes thereto of Westlake Corporation included in Westlake Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "2021 Form 10-K"). Unless otherwise indicated, references in this report to "we," "our," "us" or like terms refer to Westlake Corporation ("Westlake" or the "Company"). The following discussion contains forward-looking statements. Please read "Forward-Looking Statements" for a discussion of limitations inherent in such statements.

### **Overview**

We are a vertically integrated global manufacturer and marketer of performance and essential materials and housing and infrastructure products. We operate in two principal operating segments, Performance and Essential Materials and Housing and Infrastructure Products. The Performance and Essential Materials segment includes Westlake North American Vinyls, Westlake North American Chlor-alkali & Derivatives, Westlake European & Asian Chlorovinyls, Westlake Olefins, Westlake Polyethylene and Westlake Epoxy. The Housing and Infrastructure Products segment includes Westlake Royal Building Products, Westlake Pipe & Fittings, Westlake Global Compounds and Westlake Dimex. Prior to our segment reorganization in the fourth quarter of 2021, we operated in two principal operating segments, Vinyls and Olefins. The change has been retrospectively reflected in the periods presented in this Form 10-Q. We are highly integrated along our materials chain with significant downstream integration from ethylene and chlor-alkali (chlorine and caustic soda) into vinyls, polyethylene, epoxy and styrene monomer. We also have substantial downstream integration from polyvinyl chloride ("PVC") into our building products, PVC pipes and fittings and PVC compounds in our Housing and Infrastructure Products segment.

During third quarter 2022, our European businesses continued to be impacted by higher energy prices, inflation and reduced demand. Our North American businesses, where we derive a significant portion of our revenue, also saw impacts of rising energy costs and interest rates and slowing demand. In the near term, we expect that higher energy costs, inflation and other macroeconomic conditions could reduce margins and demand for most of our products.

### ***Performance and Essential Materials***

Our performance and essential materials such as ethylene, PVC, polyethylene, epoxy and chlor-alkali are some of the most widely used materials in the world and are upgraded into a variety of higher value-added products used in many end-markets. Westlake is the second-largest chlor-alkali producer and the second-largest PVC producer in the world, which makes Westlake a global leading chlorovinyls producer. Our performance and essential materials are used by customers in food and specialty packaging; industrial and consumer packaging; medical health applications; PVC pipe applications; consumer durables; mobility and transportation; renewable wind energy; coatings; and housing and construction products. Chlor-alkali and petrochemicals are typically manufactured globally in large volume by a number of different producers using widely available technologies. The chlor-alkali and petrochemical industries exhibit cyclical commodity characteristics, and margins are influenced by changes in the balance between supply and demand and the resulting operating rates, the level of general economic activity and the price of raw materials. Due to the significant size of new plants, capacity additions are built in large increments and typically require several years of demand growth to be absorbed. The cycle is generally characterized by periods of tight supply, leading to high operating rates and margins, followed by a decline in operating rates and margins primarily as a result of excess new capacity additions.

Demand for our products in the first half of 2020 was negatively impacted by the onset of the COVID-19 pandemic. Global demand for most of our products started strengthening in the second half of 2020 and remained strong through the first half of 2022. However, in the past year, we have seen significant volatility in natural gas, ethane and ethylene prices, primarily due to changes in demand, the timing for certain new ethylene capacity additions, the availability of natural gas liquids, and the ongoing conflict between Russia and Ukraine. Depending on the performance of the global economy, the timing of resolution of the conflict between Russia and Ukraine, disruption in the global supply chain, volatility in natural gas and electricity prices in Europe and across the world, labor shortages and costs, potential resurgence of the COVID-19 pandemic, the trend of crude oil prices, new ethylene and polyethylene capacity additions in North America, Asia and the Middle East in the remainder of 2022 and beyond, the sustainability of the current demand for most of our products in this segment, inflationary pressures and concerns over slower future economic growth, including the possibility of recession or financial market instability, our financial condition, results of operations or cash flows could be negatively or positively impacted.

On February 1, 2022, we completed the acquisition of Westlake Epoxy for a purchase consideration of \$1,207 million. The assets acquired and liabilities assumed and the results of operations of the Westlake Epoxy business are included in the Performance and Essential Materials segment. This acquisition represents a significant strategic expansion of Westlake's Performance and Essential Materials businesses into additional high-growth, innovative and sustainability-oriented applications – such as wind turbine blades and light-weight automotive structural components. We supply epoxy resin systems to composite fabricators in the wind energy, automotive and pipe markets. Epoxy specialty resins are also used for a variety of high-end coating applications that require the superior adhesion, corrosion resistance and durability of epoxy, such as protective coatings for industrial flooring, pipe, marine and construction applications and automotive coatings.

As noted in Item 1A, "Risk Factors" in our 2021 Form 10-K, we are subject to extensive environmental regulations, which may impose significant additional costs on our operations in the future. Further, concerns about greenhouse gas emissions and their possible effects on climate change has led to the enactment of regulations, and to proposed legislation and additional regulations, that could affect us in the form of increased cost of feedstocks and fuel, other increased costs of production and decreased demand for our products. While we do not expect any of these enactments or proposals to have a material adverse effect on us in the near term, we cannot predict the longer-term effect of any of these regulations or proposals on our future financial condition, results of operations or cash flows.

### ***Housing and Infrastructure Products***

Our Housing and Infrastructure Products segment is primarily comprised of building products, PVC pipes and fittings and PVC compound products. Our sales are affected by the individual decisions of distributors and dealers on the levels of inventory they carry, their views on product demand, their financial condition and the manner in which they choose to manage inventory risk. A significant portion of our performance in this segment is driven by the activities in the residential construction and repair and remodeling markets in North America, which began to decline at the end of the second quarter of 2022 due to rising mortgage rates. Performance of our housing and infrastructure products businesses over time are generally reflective of the trends of building permits and housing starts in the New Residential Construction Survey by the U.S. Census Bureau and the Repair and Remodeling Index provided by the National Association of Home Builders among others. Although we ultimately expect that the Infrastructure Investment and Jobs Act of 2021 and historically low residential housing construction may have a favorable long-term impact on certain industries related to our Housing and Infrastructure Products segment, the current inflationary environment impacting consumer spending and priorities, the possibility of recession or financial market instability, rapidly rising interest rates, decade high mortgage interest rates impacting consumer affordability, and ongoing labor and supply chain constraints are expected to have an unfavorable impact on the demand for housing and, as a result, our products produced by this segment.

North American PVC facilities within the Performance and Essential Materials segment supply most of the PVC required for our building products and PVC pipes and fittings plants. Our raw materials for stone, roofing and accessories, windows, shutters and specialty tool products are externally purchased. PVC required for the PVC compounds plants is either internally sourced from our North American and Asian facilities within the Performance and Essential Materials segment or externally purchased based on the location of the plants. The remaining feedstocks required, including pigments, fillers, stabilizers and other ingredients, are purchased under short-term contracts based on prevailing market prices.

During the fourth quarter of 2021, we completed the acquisition of Boral's North American building products businesses in roofing, siding, trim and shutters, decorative stone and windows (the "Boral Target Companies") for \$2,140 million. During the third quarter of 2021, we completed the acquisitions of LASCO Fittings, Inc. ("LASCO"), a manufacturer of injected-molded PVC fittings that serve the plumbing, pool and spa, industrial, irrigation and retail markets in the United States, for \$277 million, and DX Acquisition Corp. ("Dimex"), a producer of various consumer products made from post-industrial-recycled PVC, polyethylene and thermoplastic elastomer materials, including, landscape edging; industrial, home and office matting; marine dock edging; and masonry joint controls, for \$172 million. The results of operations for these acquired businesses are included in the Housing and Infrastructure Products segment for the nine months ended September 30, 2022.

Factors that have caused volatility in our raw material prices, energy costs and production processes in the past, and which may do so in the future, include significant fluctuation in prices of raw materials in response to, among other things, variable worldwide supply and demand across different industries, speculation in commodities futures, general economic, business or environmental conditions, labor costs, competition, import duties, tariffs, worldwide currency fluctuations, freight, inflationary pressures, regulatory costs, and product and process evolutions that impact demand for the same materials. Increasing raw material prices directly impact our cost of sales and our ability to maintain margins depends on implementing price increases in response to increasing raw material costs. The market for our products may or may not accept price increases, and as such, our future financial condition, results of operations or cash flows could be materially impacted.

## Recent Developments

### *Inflation Reduction Act of 2022*

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA, among other provisions, imposes a 15% corporate alternative minimum tax on the adjusted financial statement income of certain large corporations effective for tax years beginning after December 31, 2022 and a 1% excise tax on stock repurchases made by publicly traded U.S. corporations after December 31, 2022. The Company is in the process of evaluating the IRA and the impact it may have on the Company's consolidated financial statements.

### *Expansion of Share Repurchase Program*

On August 12, 2022, our Board of Directors authorized the Company to repurchase an additional \$500 million of shares of its common stock under its existing share repurchase program.

## Non-GAAP Financial Measures

The body of accounting principles generally accepted in the United States is commonly referred to as "GAAP." For this purpose, a non-GAAP financial measure is generally defined by the Securities and Exchange Commission ("SEC") as one that purports to measure historical or future financial performance, financial position or cash flows that (1) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the registrant; or (2) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this report, we disclose non-GAAP financial measures, primarily earnings before interest, taxes, depreciation and amortization ("EBITDA") and Free Cash Flow. We define EBITDA as net income before interest expense, income taxes, depreciation and amortization. We define Free Cash Flow as net cash provided by operating activities less additions to property, plant and equipment. The non-GAAP financial measures described in this Form 10-Q are not substitutes for the GAAP measures of earnings and cash flows.

EBITDA is included in this Form 10-Q because our management considers it an important supplemental measure of our performance and believes that it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, some of which present EBITDA when reporting their results. We regularly evaluate our performance as compared to other companies in our industry that have different financing and capital structures and/or tax rates by using EBITDA. In addition, we utilize EBITDA in evaluating acquisition targets. Management also believes that EBITDA is a useful tool for measuring our ability to meet our future debt service, capital expenditures and working capital requirements, and EBITDA is commonly used by us and our investors to measure our ability to service indebtedness. Free Cash Flow is included in this Form 10-Q because our management considers it an important supplemental measure of our performance and believes that it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, some of which present Free Cash Flow when reporting their results. We regularly evaluate our performance as compared to other companies in our industry that have different financing and capital structures and/or tax rates by using Free Cash Flows. Management also believes that Free Cash Flow is useful to investors and securities analysts to evaluate our liquidity, evaluate strategic investment, evaluate our stock buyback plan and measure our ability to meet our future debt service. EBITDA and Free Cash Flow are not substitutes for the GAAP measures of net income, income from operations and net cash provided by operating activities and is not necessarily a measure of our ability to fund our cash needs. In addition, companies calculate EBITDA and Free Cash Flow differently and, therefore, EBITDA and Free Cash Flow as presented for us may not be comparable to EBITDA and Free Cash Flow reported by other companies. EBITDA has material limitations as a performance measure because it excludes interest expense, depreciation and amortization and income taxes.

Reconciliations of EBITDA to net income, income from operations and net cash provided by operating activities, and Free Cash Flow to net cash provided by operating activities are included in the "Results of Operations" section below.

## Results of Operations

### Net External Sales

The table below presents net external sales on a disaggregated basis for our two principal operating segments. Performance Materials net external sales primarily consist of sales of PVC, polyethylene and epoxy. Essential Materials net external sales primarily consist of sales of caustic soda, styrene, and related derivative materials. Housing Products net external sales primarily consist of sales of housing exterior and interior products, residential pipes and fittings and residential PVC compounds. Infrastructure Products net external sales primarily consist of sales of non-residential pipes and fittings and non-residential PVC compounds.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
(dollars in millions, except per share data)				
<b>Net external sales</b>				
Performance and Essential Materials				
Performance Materials	\$ 1,689	\$ 1,588	\$ 5,678	\$ 4,333
Essential Materials	1,022	734	2,969	1,877
Total Performance and Essential Materials	<u>2,711</u>	<u>2,322</u>	<u>8,647</u>	<u>6,210</u>
Housing and Infrastructure Products				
Housing Products	1,018	536	3,106	1,491
Infrastructure Products	227	197	742	570
Total Housing and Infrastructure Products	<u>1,245</u>	<u>733</u>	<u>3,848</u>	<u>2,061</u>
Total	<u>\$ 3,956</u>	<u>\$ 3,055</u>	<u>\$ 12,495</u>	<u>\$ 8,271</u>
<b>Income (loss) from operations</b>				
Performance and Essential Materials	\$ 353	\$ 769	\$ 2,197	\$ 1,728
Housing and Infrastructure Products	186	103	607	270
Corporate and other	(23)	(11)	(81)	(71)
Total income from operations	<u>516</u>	<u>861</u>	<u>2,723</u>	<u>1,927</u>
Interest expense	(44)	(61)	(134)	(130)
Other income, net	24	13	52	35
Provision for income taxes	<u>84</u>	<u>193</u>	<u>592</u>	<u>423</u>
Net income	412	620	2,049	1,409
Net income attributable to noncontrolling interests	<u>11</u>	<u>13</u>	<u>34</u>	<u>38</u>
Net income attributable to Westlake Corporation	<u>\$ 401</u>	<u>\$ 607</u>	<u>\$ 2,015</u>	<u>\$ 1,371</u>
Diluted earnings per share	<u>\$ 3.10</u>	<u>\$ 4.69</u>	<u>\$ 15.54</u>	<u>\$ 10.60</u>
EBITDA <sup>(1)</sup>	<u>\$ 804</u>	<u>\$ 1,077</u>	<u>\$ 3,560</u>	<u>\$ 2,562</u>
Free Cash Flow <sup>(2)</sup>	<u>\$ 629</u>	<u>\$ 611</u>	<u>\$ 1,749</u>	<u>\$ 1,223</u>

(1) See "Reconciliation of EBITDA to Net Income, Income from Operations and Net Cash Provided by Operating Activities" below.

(2) See "Reconciliation of Free Cash Flow to Net Cash Provided by Operating Activities" below.

	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	Average Sales Price	Volume	Average Sales Price	Volume
<b>Product sales price and volume percentage change from prior-year period</b>				
Performance and Essential Materials	+7.3 %	+9.5 %	+24.0 %	+15.3 %
Housing and Infrastructure Products	+31.1 %	+38.6 %	+44.6 %	+42.0 %
Company average	+13.0 %	+16.5 %	+29.1 %	+21.9 %

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
<b>Domestic US prices percentage change from prior-year period for fuel cost and feedstock</b>		
Fuel cost (Natural Gas)	+102.8 %	+107.1 %
Feedstock (Ethane)	+58.0 %	+81.7 %

**Reconciliation of EBITDA to Net Income, Income from Operations and Net Cash Provided by Operating Activities**

The following table presents the reconciliation of EBITDA to net income, income from operations and net cash provided by operating activities, the most directly comparable GAAP financial measures, for each of the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(dollars in millions)			
Net cash provided by operating activities	\$ 947	\$ 755	\$ 2,560	\$ 1,637
Changes in operating assets and liabilities and other	(572)	(109)	(467)	(178)
Deferred income taxes	37	(26)	(44)	(50)
Net income	412	620	2,049	1,409
Less:				
Other income, net	24	13	52	35
Interest expense	(44)	(61)	(134)	(130)
Provision for income taxes	(84)	(193)	(592)	(423)
Income from operations	516	861	2,723	1,927
Add:				
Depreciation and amortization	264	203	785	600
Other income, net	24	13	52	35
EBITDA	\$ 804	\$ 1,077	\$ 3,560	\$ 2,562

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

The following table presents the reconciliation of Free Cash Flow to net cash provided by operating activities, the most directly comparable GAAP financial measure, for each of the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(dollars in millions)			
Net cash provided by operating activities	\$ 947	\$ 755	\$ 2,560	\$ 1,637
Less:				
Additions to property, plant and equipment	(318)	(144)	(811)	(414)
Free Cash Flow	\$ 629	\$ 611	\$ 1,749	\$ 1,223

## Summary

For the quarter ended September 30, 2022, net income attributable to Westlake was \$401 million, or \$3.10 per diluted share, on net sales of \$3,956 million. This represents a decrease in net income attributable to Westlake of \$206 million, or \$1.59 per diluted share, compared to the quarter ended September 30, 2021 net income attributable to Westlake of \$607 million, or \$4.69 per diluted share, on net sales of \$3,055 million. Income from operations for the quarter ended September 30, 2022 was \$516 million, a \$345 million decrease from income from operations of \$861 million for the quarter ended September 30, 2021. The decrease in net income and income from operations was primarily due to significant volatility in the global economic environment resulting in higher natural gas, power and feedstock costs, lower polyethylene and PVC resin sales prices and margins, lower demand for certain of our products and a litigation charge for \$70 million, or \$0.42 per diluted share, after tax. The decrease in net income and income from operations in the third quarter of 2022 was partially offset by higher prices for caustic soda and higher polyethylene sales volumes. Selling, general and administrative expenses were also higher in the third quarter of 2022 primarily due to the businesses acquired in the fourth quarter of 2021 and in the first quarter of 2022. Net sales increased by \$901 million to \$3,956 million in the quarter ended September 30, 2022 from \$3,055 million in the quarter ended September 30, 2021. The increase in net sales was due to higher sales prices for caustic soda, chlorine and derivative products in addition to many of our products in the Housing and Infrastructure Products segment, contributions from the businesses acquired in the second half of 2021 and in the first quarter of 2022 and higher polyethylene sales volumes, partially offset by lower prices for polyethylene and PVC resin and lower sales volumes for PVC resin and caustic soda.

For the nine months ended September 30, 2022, net income attributable to Westlake was \$2,015 million, or \$15.54 per diluted share, on net sales of \$12,495 million. This represents an increase in net income attributable to Westlake of \$644 million, or \$4.94 per diluted share, compared to the nine months ended September 30, 2021 net income attributable to Westlake of \$1,371 million, or \$10.60 per diluted share, on net sales of \$8,271 million. Income from operations for the nine months ended September 30, 2022 was \$2,723 million, a \$796 million increase from income from operations of \$1,927 million for the nine months ended September 30, 2021. The increase in net income and income from operations was primarily due to significantly higher global sales prices and integrated margins for most of our major products, caused by the strong demand for our products primarily during the first half of 2022, as well as the contributions from the businesses acquired in the second half of 2021 and in the first quarter of 2022. The nine months ended September 30, 2022 net income and operating income were negatively impacted by higher natural gas, power and feedstock costs. Selling, general and administrative expenses were also higher for the nine months ended September 30, 2022 primarily due to the businesses acquired in the second half of 2021 and in the first quarter of 2022. Net sales increased by \$4,224 million to \$12,495 million in the nine months ended September 30, 2022 from \$8,271 million in the nine months ended September 30, 2021, due to higher sales prices for most of our products in both of our segments. Sales volumes in the nine months ended September 30, 2022 were also higher in both segments as compared to the nine months ended September 30, 2021, due to the contributions from the acquired businesses in the second half of 2021 and in the first quarter of 2022 and higher polyethylene sales volumes, partially offset by lower PVC resin, caustic soda and PVC compounds sales volumes.

## RESULTS OF OPERATIONS

### *Third Quarter 2022 Compared with Third Quarter 2021*

*Net Sales.* Net sales increased by \$901 million, or 29%, to \$3,956 million in the third quarter of 2022 from \$3,055 million in the third quarter of 2021, primarily attributable to higher sales prices for caustic soda, chlorine and derivative products in the Performance and Essential Materials segment in addition to many of our products in the Housing and Infrastructure Products segment and from the businesses acquired in the second half of 2021 and in the first quarter of 2022. Average sales prices for the third quarter of 2022 increased by 13% as compared to the third quarter of 2021 due to strong demand for caustic soda and many of our products that serve the residential construction, repair and remodeling markets in North America, partially offset by lower polyethylene and PVC resin sales prices. Sales volumes increased by 17% in the third quarter of 2022 as compared to the third quarter of 2021, substantially due to the businesses acquired in the second half of 2021 and in the first quarter of 2022 and higher polyethylene sales volumes, partially offset by lower caustic soda and PVC resin sales volume.

*Gross Profit.* Gross profit margin percentage was 20% in the third quarter of 2022 as compared to 33% in the third quarter of 2021. The decrease in gross profit margin was primarily due to higher natural gas, power and feedstock costs, and lower prices and margins for polyethylene and PVC resin, which was partially offset by higher prices and margins for caustic soda and higher margins on our housing and infrastructure products.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased by \$93 million to \$215 million in the third quarter of 2022 as compared to \$122 million in the third quarter of 2021. This increase was mainly due to selling, general, and administrative expenses of the businesses acquired in the fourth quarter of 2021 and in the first quarter of 2022 as well as higher compensation expenses.

*Amortization of Intangibles.* Amortization expense increased by \$10 million to \$39 million in the third quarter of 2022, from \$29 million in the third quarter of 2021, primarily due to the amortization of intangibles associated with the businesses acquired in the fourth quarter of 2021 and in the first quarter of 2022.

*Restructuring, Transaction and Integration-Related Costs.* The restructuring, transaction and integration-related costs of \$6 million in the third quarter of 2022 was consistent with the third quarter of 2021 and primarily consisted of costs associated with our businesses acquired in the second half of 2021 and in the first quarter of 2022.

*Interest Expense.* Interest expense decreased by \$17 million to \$44 million in the third quarter of 2022 from \$61 million in the third quarter of 2021, primarily due to realization of losses in the third quarter of 2021 on the settlement of interest rate lock arrangements associated with the issuance of \$1,700 million aggregate principal amount of senior notes in August 2021 ("Notes"), partially offset by higher average debt outstanding in the third quarter of 2022 as compared to the third quarter of 2021.

*Other Income, Net.* Other income, net increased by \$11 million to \$24 million in the third quarter of 2022 from \$13 million in the third quarter of 2021, primarily due to higher interest income.

*Income Taxes.* The effective income tax rate was 16.9% for the third quarter of 2022 as compared to 23.7% for the third quarter of 2021. The effective tax rate in the third quarter of 2022 was lower compared to the third quarter of 2021 primarily due to an increase in U.S. federal research and development credits available to the Company.

### **Performance and Essential Materials Segment**

*Net Sales.* Net sales for the Performance and Essential Materials segment increased by \$389 million, or 17%, to \$2,711 million in the third quarter of 2022 from \$2,322 million in the third quarter of 2021. Average sales prices for the Performance and Essential Materials segment increased by 7% in the third quarter of 2022 as compared to the third quarter of 2021. Higher Essential Materials sales prices were primarily driven by higher prices for caustic soda, chlorine and derivative products. These increases were offset by lower polyethylene and PVC resin sales prices in the Performance Materials businesses. Sales volumes for the Performance and Essential Materials segment increased by 10% in the third quarter of 2022 as compared to the third quarter of 2021, primarily resulting from contributions from the acquisition of Westlake Epoxy in the first quarter of 2022 and higher polyethylene sales volumes, partially offset by lower caustic soda and PVC resin sales volumes.

*Income from Operations.* Income from operations for the Performance and Essential Materials segment decreased by \$416 million to \$353 million in the third quarter of 2022 from \$769 million in the third quarter of 2021. This decrease in income from operations was due to lower polyethylene and PVC resin sales prices, lower caustic soda and PVC resin sales volumes, higher natural gas, power and feedstock costs and a litigation charge. The decrease in income from operations was partially offset by higher caustic soda sales prices and margins and higher polyethylene sales volumes. Trading activity for the third quarter of 2022 resulted in a loss of approximately \$24 million as compared to a gain of \$10 million for the third quarter of 2021.

### **Housing and Infrastructure Products Segment**

*Net Sales.* Net sales for the Housing and Infrastructure Products segment increased by \$512 million, or 70%, to \$1,245 million in the third quarter of 2022 from \$733 million in the third quarter of 2021. In addition to the net sales from the businesses we acquired in the second half of 2021, the increase in the third quarter of 2022 was mainly due to higher sales prices across our businesses as compared to the prior-year period. Average sales prices for the Housing and Infrastructure Products segment increased by 31% in the third quarter of 2022 as compared to the third quarter of 2021, primarily due to continued demand for residential construction and repair and remodeling products as well as increased prices to account for higher raw material costs. Sales volumes for the Housing and Infrastructure Products segment increased by 39% in the third quarter of 2022 as compared to the third quarter of 2021 primarily due to contributions from the businesses acquired in the second half of 2021.

*Income from Operations.* Income from operations for the Housing and Infrastructure Products segment increased by \$83 million to \$186 million in the third quarter of 2022 from \$103 million in the third quarter of 2021. This increase in income from operations was primarily due to higher sales prices driven by continuing higher demand for housing construction and remodeling products and contributions from the businesses acquired in the second half of 2021. The higher income from operations in the third quarter of 2022 as compared to the third quarter of 2021 was partially offset by higher raw material and production costs.

### ***Nine Months Ended September 30, 2022 Compared with Nine Months Ended September 30, 2021***

***Net Sales.*** Net sales increased by \$4,224 million, or 51%, to \$12,495 million in the nine months ended September 30, 2022 from \$8,271 million in the nine months ended September 30, 2021, primarily attributable to higher sales prices for our PVC resin, caustic soda and for many of our products in the Housing and Infrastructure Products segment as well as higher sales volumes for polyethylene and contributions from the businesses acquired in 2021 and 2022. Average sales prices for the nine months ended September 30, 2022 increased by 29% as compared to the nine months ended September 30, 2021 due to strong demand for our chlorovinyl products and strong residential construction, repair and remodeling markets in North America during the first half of 2022. Sales volumes increased by 22% for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021, primarily due to the businesses acquired in the second half of 2021 and in the first quarter of 2022, partially offset by lower PVC resin, caustic soda and PVC compounds sales volume.

***Gross Profit.*** Gross profit margin percentage was 28% in the nine months ended September 30, 2022 which was comparable to 29% in the nine months ended September 30, 2021. Higher sales prices and margins for PVC resin, caustic soda, pipes and fittings and PVC compounds were offset by higher natural gas, power and feedstock costs and lower volumes for PVC resin, caustic soda and PVC compounds during the nine months ended September 30, 2022.

***Selling, General and Administrative Expenses.*** Selling, general and administrative expenses increased by \$252 million to \$635 million in the nine months ended September 30, 2022 as compared to \$383 million in the nine months ended September 30, 2021. This increase was mainly due to the inclusion of expenses related to the businesses acquired in the second half of 2021 and in the first quarter of 2022 and higher compensation expenses.

***Amortization of Intangibles.*** Amortization expense increased by \$41 million to \$124 million in the nine months ended September 30, 2022, as compared to \$83 million in the nine months ended September 30, 2021, primarily due to the amortization of intangibles associated with the businesses acquired in the second half of 2021 and in the first quarter of 2022.

***Restructuring, Transaction and Integration-Related Costs.*** The restructuring, transaction and integration-related costs of \$24 million in the nine months ended September 30, 2022 primarily consisted of costs associated with the businesses acquired in the second half of 2021 and in the first quarter of 2022.

***Interest Expense.*** Interest expense increased by \$4 million to \$134 million in the nine months ended September 30, 2022 from \$130 million in the nine months ended September 30, 2021, due to the higher average debt outstanding in the nine months ended September 30, 2022 due to the issuance of senior notes in August 2021.

***Other Income, Net.*** Other income, net increased by \$17 million to \$52 million in the nine months ended September 30, 2022 from \$35 million in the nine months ended September 30, 2021, primarily due to higher interest income.

***Income Taxes.*** The effective income tax rate was 22.4% for the nine months ended September 30, 2022 as compared to 23.1% for the nine months ended September 30, 2021. The effective tax rate in the nine months ended September 30, 2022 was lower compared to the nine months ended September 30, 2021, primarily due to an increase in U.S. federal research and development credits available to the Company.

### ***Performance and Essential Materials Segment***

***Net Sales.*** Net sales for the Performance and Essential Materials segment increased by \$2,437 million, or 39%, to \$8,647 million in the nine months ended September 30, 2022 from \$6,210 million in the nine months ended September 30, 2021. Average sales prices for the Performance and Essential Materials segment increased by 24% in the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021. Higher Performance Materials sales prices were due to higher PVC resin sales prices. Higher Essential Materials sales prices were primarily driven by higher prices for caustic soda, chlorine and derivative products. Sales volumes for the Performance and Essential Materials segment increased by 15% in the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021, primarily due to higher sales volumes for polyethylene and contributions from the acquisition of Westlake Epoxy, which were partially offset by lower PVC resin sales volumes.

***Income from Operations.*** Income from operations for the Performance and Essential Materials segment increased by \$469 million to \$2,197 million in the nine months ended September 30, 2022 from \$1,728 million in the nine months ended September 30, 2021. This increase in income from operations was due to higher sales prices for PVC resin and caustic soda and higher margins for polyethylene. Income from operations was also higher due to contributions from the acquisition of Westlake Epoxy in the first quarter of 2022. The increase in income from operations versus the prior-year period was partially offset by higher natural gas, power and feedstock costs and a litigation charge. Trading activity for the nine months ended September 30, 2022 resulted in a loss of approximately \$23 million as compared to a gain of \$26 million for the nine months ended September 30, 2021.

### ***Housing and Infrastructure Products Segment***

*Net Sales.* Net sales for the Housing and Infrastructure Products segment increased by \$1,787 million, or 87%, to \$3,848 million in the nine months ended September 30, 2022 from \$2,061 million in the nine months ended September 30, 2021. In addition to the net sales from the businesses acquired in the second half of 2021, the increase in the nine months ended September 30, 2022 was also due to generally higher sales prices across our businesses as compared to the prior-year period. Average sales prices for the Housing and Infrastructure Products segment increased by 45% in the nine months ended September 30, 2022, as compared to the nine months ended September 30, 2021, primarily due to strong residential construction and repair and remodeling industry activity during the first half of 2022. Sales volumes for the Housing and Infrastructure Products segment increased by 42% in the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021, primarily due to contributions from the businesses acquired in the second half of 2021.

*Income from Operations.* Income from operations for the Housing and Infrastructure Products segment increased by \$337 million to \$607 million in the nine months ended September 30, 2022 from \$270 million in the nine months ended September 30, 2021. This increase in income from operations was primarily due to higher sales prices driven by higher housing construction and remodeling activity during the first half of 2022. Income from operations was also higher due to contributions from the businesses acquired in the second half of 2021. The higher income from operations in the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021 was partially offset by higher raw material, power and production costs.

## **CASH FLOW DISCUSSION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

### **Cash Flows**

#### ***Operating Activities***

Operating activities provided cash of \$2,560 million in the first nine months of 2022 compared to cash provided by operating activities of \$1,637 million in the first nine months of 2021. The \$923 million increase in cash flows from operating activities was mainly due to an increase in income from operations and favorable changes in working capital. Changes in components of working capital, which we define for purposes of this cash flow discussion as accounts receivable, inventories, prepaid expenses and other current assets, less accounts payable and accrued and other liabilities, used cash of \$248 million in the first nine months of 2022, compared to \$381 million of cash used in the first nine months of 2021, a favorable change of \$133 million. The favorable change in the first nine months of 2022 was driven by favorable changes in accounts receivable and accrued and other liabilities, which were partially offset by unfavorable changes in inventories and accounts payable.

#### ***Investing Activities***

Net cash used for investing activities in the first nine months of 2022 was \$2,148 million as compared to net cash used for investing activities of \$842 million in the first nine months of 2021. The increase in investing activities in the first nine months of 2022 was primarily due to the acquisition of Westlake Epoxy in February 2022 for \$1,171 million, net of cash acquired, the purchase of an additional 3.2% interest in LACC for \$89 million and additional contributions of \$87 million in LACC. Capital expenditures were \$811 million in the first nine months of 2022, an increase of \$397 million as compared to \$414 million in the first nine months of 2021. Capital expenditures in the first nine months of 2022 and 2021 were primarily related to projects to improve production capacity or reduce costs, maintenance and safety projects and environmental projects at our various facilities.

#### ***Financing Activities***

Net cash used for financing activities during the first nine months of 2022 was \$480 million as compared to net cash provided by financing activities of \$1,487 million in the first nine months of 2021. The activities during the first nine months of 2022 were primarily related to the \$123 million payment of cash dividends, the \$34 million payment of cash distributions to noncontrolling interests, the redemption of \$250 million aggregate principal amount of the 3.60% 2022 Senior Notes and repurchases of shares of our common stock for an aggregate amount of \$68 million. The activities in the first nine months of 2021 were primarily related to the registered public offering of \$300 million aggregate principal amount of the 0.875% 2024 Senior Notes, \$350 million aggregate principal amount of the 2.875% 2041 Senior Notes, \$600 million aggregate principal amount of the 3.125% 2051 Senior Notes and \$450 million aggregate principal amount of the 3.375% 2061 Senior Notes and the payment of debt issuance costs of \$18 million related to such notes. The remaining activities during the nine months ended September 30, 2021 related to the \$107 million payment of cash dividends, the \$32 million payment of cash distributions to noncontrolling interests and the repurchase of shares of our common stock for an aggregate purchase price of \$30 million.

## **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 the New Credit Agreement and our long-term financing.

In November 2014, our Board of Directors authorized a \$250 million stock repurchase program (the "2014 Program"). In November 2015, our Board of Directors approved the expansion of the 2014 Program by an additional \$150 million. In August 2018, our Board of Directors approved the further expansion of the existing 2014 Program by an additional \$150 million. In August 2022, our Board of Directors approved the further expansion of the existing 2014 Program by an additional \$500 million. During the third quarter of 2022, we repurchased 372,430 shares of our common stock and in the nine months ended September 30, 2022, we repurchased 784,920 shares of our common stock under the 2014 Program. As of September 30, 2022, we had repurchased 8,216,440 shares of our common stock for an aggregate purchase price of approximately \$522 million under the 2014 Program. Purchases under the 2014 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 2014 Program will be influenced by our cash on hand, our cash flows from operations, general market conditions and other factors. The 2014 Program may be discontinued by our Board of Directors at any time.

On October 4, 2018, Westlake Chemical Partners LP ("Westlake Partners") and Westlake Partners GP, the general partner of Westlake Partners, entered into an Equity Distribution Agreement with UBS Securities LLC, Barclays Capital Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., RBC Capital Markets, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC to offer and sell WLK Partners common units, from time to time, up to an aggregate offering amount of \$50 million. This Equity Distribution Agreement was amended on February 28, 2020 to reference a new shelf registration for utilization under this agreement. No common units have been issued under this program as of September 30, 2022.

We believe that our sources of liquidity as described above are adequate to fund our normal operations and ongoing capital expenditures and turnaround activities. Funding of any potential large expansions or potential acquisitions or the redemption of debt may likely necessitate, and therefore depend on, our ability to obtain additional financing in the future. We may not be able to access additional liquidity at favorable interest rates due to volatility of the commercial credit markets.

### ***Cash and Cash Equivalents***

As of September 30, 2022, our cash and cash equivalents totaled \$1,778 million. In addition to our cash and cash equivalents, our New Credit Agreement is available as needed, as described under "Debt" below.

### ***Debt***

As of September 30, 2022, our indebtedness totaled \$4.8 billion. See Note 8 to the consolidated financial statements appearing elsewhere in this Form 10-Q for a discussion of our long-term indebtedness. Defined terms used in this section have the definitions assigned to such terms in Note 8 to the consolidated financial statements included in Item 1 of this Form 10-Q.

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 factors that are beyond our control. Based on our current level of operations and unless we were to undertake a new expansion or large acquisition, we believe our cash flows from operations, available cash and available borrowings under the New Credit Agreement will be adequate to meet our normal operating needs for the foreseeable future.

### *New Credit Agreement*

On June 9, 2022, the Company entered into a new \$1.5 billion revolving credit facility that is scheduled to mature on June 9, 2027 (the "New Credit Agreement") and, in connection therewith, terminated the Company's existing revolving credit agreement. The New Credit Agreement bears interest at either (a) Adjusted Term SOFR (as defined in the New Credit Agreement) plus a margin ranging from 1.000% to 1.625% per annum or (b) Alternate Base Rate (as defined in the New Credit Agreement) plus a margin ranging from 0.000% to 0.625% per annum, in each case depending on the credit rating of the Company. The New Credit Agreement contains certain affirmative and negative covenants, including a quarterly total leverage ratio financial maintenance covenant. As of September 30, 2022, the Company was in compliance with the total leverage ratio financial maintenance covenant. The New Credit Agreement also contains certain events of default and, if and for so long as certain events of default have occurred and are continuing, any overdue amounts outstanding under the New Credit Agreement will accrue interest at an increased rate, the lenders can terminate their commitments to lend thereunder and payments of any outstanding amounts thereunder could be accelerated by the lenders. None of the Company's subsidiaries are required to guarantee the obligations of the Company under the New Credit Agreement.

The New Credit Agreement includes a \$150 million sub-limit for letters of credit, and any outstanding letters of credit will be deducted from availability under the facility. The New Credit Agreement also provides for a discretionary \$50 million commitment for swingline loans to be provided on a same-day basis. The Company may also increase the size of the facility, in increments of at least \$25 million, up to a maximum of \$500 million, subject to certain conditions and if certain lenders agree to commit to such an increase.

### *0.875% Senior Notes due 2024*

In August 2021, we completed the registered public offering of \$300 million aggregate principal amount of the 0.875% 2024 Senior Notes. We may optionally redeem the 0.875% 2024 Senior Notes at any time and from time to time on or after August 15, 2022 for 100% of the principal amount plus accrued and unpaid interest. The holders of the 0.875% 2024 Senior Notes may require us to repurchase the 0.875% 2024 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, 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 0.875% 2024 Senior Notes).

### *3.60% Senior Notes due 2026 and 5.0% Senior Notes due 2046*

In August 2016, we completed the private offering of \$750 million aggregate principal amount of the 3.60% 2026 Senior Notes and \$700 million aggregate principal amount of the 5.0% 2046 Senior Notes. In March 2017, the Company commenced registered exchange offers to exchange the 3.60% 2026 Senior Notes and the 5.0% 2046 Senior Notes for new notes that are identical in all material respects to the 3.60% 2026 Senior Notes and the 5.0% 2046 Senior Notes, except that the offer and issuance of the new Securities and Exchange Commission-registered notes have been registered under the Securities Act of 1933, as amended (the "Securities Act"). The exchange offers expired on April 24, 2017, and approximately 99.97% of the 3.60% 2026 Senior Notes and 100% of the 5.0% 2046 Senior Notes were exchanged. The notes that were not exchanged in the exchange offers have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the U.S. absent registration or an applicable exemption from registration requirements or a transaction not subject to the registration requirements of the Securities Act or any state securities law.

### *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 \$11 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. The interest rate on the waste disposal revenue bonds at September 30, 2022 was 2.45% and at December 31, 2021 was 0.14%.

### *1.625% Senior Notes due 2029*

In July 2019, we completed the registered public offering of €700 million aggregate principal amount of the 1.625% 2029 Senior Notes. The Company received approximately \$779 million of net proceeds from the offering. We may optionally redeem the 1.625% 2029 Senior Notes at any time and from time to time prior to April 17, 2029 (three months prior to the maturity date) for 100% of the principal plus accrued interest and a discounted "make whole" payment. On or after April 17, 2029, we may optionally redeem the 1.625% 2029 Senior Notes for 100% of the principal amount plus accrued interest. The holders of the 1.625% 2029 Senior Notes may require us to repurchase the 1.625% 2029 Senior 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 1.625% 2029 Senior Notes).

### *3.375% Senior Notes due 2030*

In June 2020, we completed the registered public offering of \$300 million aggregate principal amount of the 3.375% 2030 Senior Notes. The Company received approximately \$297 million of net proceeds from the offering, and used a portion of the net proceeds to fund the purchase in lieu of optional redemption of the 6 ½% 2029 GO Zone Bonds, the 6 ½% 2035 GO Zone Bonds and the 6 ½% 2035 IKE Zone Bonds. We may optionally redeem the 3.375% 2030 Senior Notes at any time and from time to time prior to March 15, 2030 (three months prior to the maturity date) for 100% of the principal plus accrued interest and a discounted "make whole" payment. On or after March 15, 2030, we may optionally redeem the 3.375% 2030 Senior Notes for 100% of the principal amount plus accrued interest. The holders of the 3.375% 2030 Senior Notes may require us to repurchase the 3.375% 2030 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, 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 3.375% 2030 Senior Notes).

### *3.50% 2032 GO Zone Refunding Bonds*

In November 2017, the Louisiana Local Government Environmental Facility and Development Authority (the "Authority") completed the offering of \$250 million aggregate principal amount of 3.50% tax-exempt revenue refunding bonds due November 1, 2032 (the "Refunding Bonds"), the net proceeds of which were used to redeem \$250 million aggregate principal amount of the Authority's 6 ¾% tax-exempt revenue bonds due November 1, 2032 issued by the Authority under the GO Zone Act in December 2007. In connection with the issuance of the Refunding Bonds, we issued \$250 million of the 3.50% 2032 GO Zone Refunding Senior Notes. The Refunding Bonds are subject to optional redemption by the Authority upon the direction of the Company at any time on or after November 1, 2027, for 100% of the principal plus accrued interest.

### *2.875% Senior Notes due 2041*

In August 2021, we completed the registered public offering of \$350 million aggregate principal amount of the 2.875% 2041 Senior Notes. We may optionally redeem the 2.875% 2041 Senior Notes at any time and from time to time prior to February 15, 2041 (six months prior to the maturity date) for a redemption price equal to the greater of (i) 100% of the principal amount plus accrued and unpaid interest and (ii) the sum of the present values of the remaining scheduled payments on the 2.875% 2041 Senior Notes being redeemed that would be due if the 2.875% 2041 Senior Notes matured on February 15, 2041, discounted to the redemption date on a semi-annual basis, plus 20 basis points, and plus accrued and unpaid interest. In addition, we may optionally redeem the 2.875% 2041 Senior Notes at any time on or after February 15, 2041 for 100% of the principal amount plus accrued and unpaid interest. The holders of the 2.875% 2041 Senior Notes may require us to repurchase the 2.875% 2041 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, 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 2.875% 2041 Senior Notes).

### *4.375% Senior Notes due 2047*

In November 2017, we completed the registered public offering of \$500 million aggregate principal amount of the 4.375% 2047 Senior Notes. We may optionally redeem the 4.375% 2047 Senior Notes at any time and from time to time prior to May 15, 2047 (six months prior to the maturity date) for 100% of the principal plus accrued interest and a discounted "make whole" payment. On or after May 15, 2047, we may optionally redeem the 4.375% 2047 Senior Notes for 100% of the principal amount plus accrued interest. The holders of the 4.375% 2047 Senior Notes may require us to repurchase the 4.375% 2047 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, 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 4.375% 2047 Senior Notes).

### *3.125% Senior Notes due 2051*

In August 2021, we completed the registered public offering of \$600 million aggregate principal amount of the 3.125% 2051 Senior Notes. We may optionally redeem the 3.125% 2051 Senior Notes at any time and from time to time prior to February 15, 2051 (six months prior to the maturity date) for a redemption price equal to the greater of (i) 100% of the principal amount plus accrued and unpaid interest and (ii) the sum of the present values of the remaining scheduled payments on the 3.125% 2051 Senior Notes being redeemed that would be due if the 3.125% 2051 Senior Notes matured on February 15, 2051, discounted to the redemption date on a semi-annual basis, plus 25 basis points, and plus accrued and unpaid interest. In addition, we may optionally redeem the 3.125% 2051 Senior Notes at any time on or after February 15, 2051 for 100% of the principal amount plus accrued and unpaid interest. The holders of the 3.125% 2051 Senior Notes may require us to repurchase the 3.125% 2051 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, 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 3.125% 2051 Senior Notes).

### *3.375% Senior Notes due 2061*

In August 2021, we completed the registered public offering of \$450 million aggregate principal amount of the 3.375% 2061 Senior Notes. We may optionally redeem the 3.375% 2061 Senior Notes at any time and from time to time prior to February 15, 2061 (six months prior to the maturity date) for a redemption price equal to the greater of (i) 100% of the principal amount plus accrued and unpaid interest and (ii) the sum of the present values of the remaining scheduled payments on the 3.375% 2061 Senior Notes being redeemed that would be due if the 3.375% 2061 Senior Notes matured on February 15, 2061, discounted to the redemption date on a semi-annual basis, plus 25 basis points, and plus accrued and unpaid interest. In addition, we may optionally redeem the 3.375% 2061 Senior Notes at any time on or after February 15, 2061 for 100% of the principal amount plus accrued and unpaid interest. The holders of the 3.375% 2061 Senior Notes may require us to repurchase the 3.375% 2061 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, 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 3.375% 2061 Senior Notes).

### *8.73% 2022 RS Cogen Debt*

In July 2000, RS Cogen, L.L.C. ("RS Cogen"), our 50%-owned joint venture, entered into a \$75 million aggregate principal amount senior credit facility institutional loan at an interest rate of 8.73%. All of the assets of RS Cogen are pledged as collateral under its senior credit facility. Borrowings under this senior credit facility are repayable quarterly over the remaining term. The Company does not guarantee RS Cogen's debt commitments and RS Cogen is not a guarantor for any of the Company's other long-term debt obligations. The balance outstanding under this loan was \$6 million at September 30, 2022.

### *2026 Term Loans*

In March 2021, Taiwan Chlorine Industries, Ltd., our 60%-owned joint venture, entered into five-year loan agreements for a maximum total limit of approximately \$21 million. The interest rate on these loans as of September 30, 2022 was 0.2%. The unsecured loans include a government rate subsidy and have a 5-year maturity. The balance outstanding under these loans was approximately \$13 million as of September 30, 2022.

The indenture governing the 0.875% 2024 Senior Notes, the 3.60% 2026 Senior Notes, the 1.625% 2029 Senior Notes, the 3.375% 2030 Senior Notes, the 3.50% 2032 GO Zone Refunding Senior Notes, the 2.875% 2041 Senior Notes, the 5.0% 2046 Senior Notes, the 4.375% 2047 Senior Notes, the 3.125% 2051 Senior Notes, and the 3.375% 2061 Senior Notes contains customary events of default and covenants that, among other things and subject to certain exceptions, restrict us and certain of our subsidiaries' ability to (1) incur certain secured indebtedness, (2) engage in certain sale and leaseback transactions and (3) consolidate, merge or transfer all or substantially all of its assets.

As of September 30, 2022, we were in compliance with all of our long-term debt covenants.

### ***Westlake Chemical Partners LP Credit Arrangements***

Our subsidiary, Westlake Chemical Finance Corporation, is the lender party to a \$600 million revolving credit facility with Westlake Chemical Partners LP ("Westlake Partners") (the "MLP Revolver") that is scheduled to mature on July 12, 2027. As of September 30, 2022, outstanding borrowings under the credit facility totaled \$377 million and bore interest at SOFR plus the Applicable Margin plus a 0.10% credit spread adjustment. On July 12, 2022, Westlake Partners entered into the Fourth Amendment (the "MLP Revolver Amendment") to the MLP Revolver. The MLP Revolver Amendment, among other things, extended the maturity date to July 12, 2027 and provided for the replacement of LIBOR with Secured Overnight Financing Rate, as administered by the Federal Reserve Bank of New York ("SOFR"). Borrowings under the MLP Revolver now bear interest at a variable rate of either (a) SOFR plus the Applicable Margin plus a 0.10% credit spread adjustment or, if SOFR is no longer available, (b) the Alternate Base Rate plus the Applicable Margin minus 1.0%. The Applicable Margin under the MLP Revolver varies between 1.75% and 2.75%, depending on the Partnership's Consolidated Leverage Ratio.

Our subsidiary, Westlake Polymers LLC, is the administrative agent to a \$600 million revolving credit facility with Westlake Chemical OpCo LP ("OpCo") (the "OpCo Revolver") that is scheduled to mature on July 12, 2027. As of September 30, 2022, outstanding borrowings under the credit facility totaled \$23 million and bore interest at SOFR plus the Applicable Margin of 1.75% plus a 0.10% credit spread adjustment. On July 12, 2022, OpCo entered into the Second Amendment (the "OpCo Revolver Amendment") to the OpCo Revolver. The OpCo Revolver Amendment, among other things, extended the maturity date to July 12, 2027 and provided for the replacement of LIBOR with SOFR. Borrowings under the OpCo Revolver now bear interest at a variable rate of either (a) SOFR plus the Applicable Margin plus a 0.10% credit spread adjustment or, if SOFR is no longer available, (b) the Alternate Base Rate plus the Applicable Margin minus 1.0%. The Applicable Margin under the OpCo Revolver is 1.75%.

We consolidate Westlake Partners and OpCo for financial reporting purposes as we have a controlling financial interest. As such, the revolving credit facilities described above between our subsidiaries and Westlake Partners and OpCo are eliminated upon consolidation.

### ***Off-Balance Sheet Arrangements***

None.

### **FORWARD-LOOKING STATEMENTS**

The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. Certain of the statements contained in this report are forward-looking statements. All statements, other than statements of historical facts, included in this report that address activities, events or developments that we expect, project, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements can be identified by the use of words such as "believes," "intends," "may," "should," "could," "anticipates," "expected" or comparable terminology, or by discussions of strategies or trends. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot give any assurances that these expectations will prove to be correct. Forward-looking statements relate to matters such as:

- future operating rates, margins, cash flows and demand for our products;
- industry market outlook, including the price of crude oil, natural gas, housing starts and repair and remodeling activity;
- macroeconomic outlook, including rising interest rates, inflation and possible recession;
- widespread outbreak of an illness or any other communicable disease, or any other public health crisis, including the COVID-19 pandemic, and efforts to contain its transmission;
- our plans to respond to the challenges presented by the COVID-19 pandemic;
- production capacities;
- the impact of ongoing supply chain constraints and workforce availability caused by the COVID-19 pandemic and the conflict between Russia and Ukraine;
- currency devaluation;
- our ability to borrow additional funds under our credit agreement;
- our ability to meet our liquidity needs;
- our ability to meet debt obligations under our debt instruments;
- our intended quarterly dividends;

- future capacity additions and expansions in the industries in which we compete;
- results of acquisitions, including the results, effects and benefits of the acquisitions of the Boral Target Companies, LASCO, Dimex and Westlake Epoxy;
- timing, funding and results of capital projects;
- pension plan obligations, funding requirements and investment policies;
- compliance with present and future environmental regulations and costs associated with environmentally related penalties, capital expenditures, remedial actions and proceedings, including any new laws, regulations or treaties that may come into force to limit or control carbon dioxide and other greenhouse gas emissions or to address other issues of climate change;
- effects of pending legal proceedings; and
- timing of and amount of capital expenditures.

We have based these statements on assumptions and analyses in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe were appropriate in the circumstances when the statements were made. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly impact expected results, and actual future results could differ materially from those described in such statements. While it is not possible to identify all factors, we continue to face many risks and uncertainties. Among the factors that could cause actual future results to differ materially are the risks and uncertainties discussed under "Risk Factors" in the 2021 Form 10-K and those described from time to time in our other filings with the SEC including, but not limited to, the following:

- the ultimate timing, outcome and results of integrating the operations of the Boral Target Companies, LASCO, Dimex and Westlake Epoxy and the ultimate outcome of our operating efficiencies applied to the products and services of the Boral Target Companies, LASCO, Dimex and Westlake Epoxy; the effects of the acquisitions, including the combined company's future financial condition, results of operations, strategy and plans; and expected synergies and other benefits from the acquisitions and our ability to realize such synergies and other benefits;
- general economic and business conditions, including inflation, interest rates and recession;
- the cyclical nature of the chemical and building products industries;
- the availability, cost and volatility of raw materials and energy;
- uncertainties associated with the United States, European and worldwide economies, including those due to political tensions and unrest in the Middle East and elsewhere including the conflict between Russia and Ukraine;
- uncertainties associated with pandemic infectious diseases, particularly COVID-19;
- uncertainties associated with global warming;
- the potential impact on demand for ethylene due to initiatives such as recycling and customers seeking alternatives to polymers;
- current and potential governmental regulatory actions in the United States and other countries;
- 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, including trade policies;
- technological developments;
- information systems failures and cyberattacks;

- foreign currency exchange risks;
- our ability to implement our business strategies; and
- creditworthiness of our customers.

Many of such 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 (such as ethane, natural gas and propane) 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 our other products where pricing is more stable. We use derivative instruments (including commodity swaps and options) in certain instances to reduce price volatility risk on feedstocks and products. Based on our open derivative positions at September 30, 2022, a hypothetical \$0.10 increase in the price of a gallon of ethane would have increased our income before income taxes by \$27 million and a hypothetical \$0.10 increase in the price of a million British thermal units of natural gas would have decreased our income before income taxes by \$1 million.

#### ***Interest Rate Risk***

We are exposed to interest rate risk with respect to fixed and variable rate debt. At September 30, 2022, we had \$4,892 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 were 1.0% higher at the time of refinancing, our annual interest expense would increase by approximately \$49 million. Also, at September 30, 2022, we had \$24 million principal amount of variable rate debt outstanding, which represents the term loans due 2026 and the tax-exempt waste disposal revenue bonds due 2027. We do not currently hedge our variable interest rate debt, but we may do so in the future. The weighted average variable interest rate for our variable rate debt of \$24 million as of September 30, 2022 was 1.21%. A hypothetical 100 basis point increase in the average interest rate on our variable rate debt would not result in a material change in the interest expense.

Secured Overnight Financing Rate ("SOFR") is used as a reference rate for borrowings under our revolving line of credit. We did not have any SOFR-based borrowings outstanding at September 30, 2022.

#### ***Foreign Currency Exchange Rate Risk***

We are exposed to foreign currency exchange rate risk associated with our international operations. However, the effect of fluctuations in foreign currency exchange rates caused by our international operations has not had a material impact on our overall operating results. We may engage in activities to mitigate our exposure to foreign currency exchange risk in certain instances through the use of currency exchange derivative instruments, including forward exchange contracts, cross-currency swaps or spot purchases. A forward exchange contract obligates us to exchange predetermined amounts of specified currencies at a stated exchange rate on a stated date. A cross-currency swap obligates us to make periodic payments in the local currency and receive periodic payments in our functional currency based on the notional amount of the instrument. In January 2018, we entered into foreign exchange hedging contracts designated as net investment hedges with an aggregate notional value of €220 million designed to reduce the volatility in stockholders' equity from changes in currency exchange rates associated with our net investments in foreign operations. In July 2019, we terminated a portion of the foreign exchange hedging contract with a notional value of €70 million. The notional value of the remaining net investment hedges was €150 million at September 30, 2022. The arrangement is scheduled to mature in 2026.

In July 2019, we completed the registered public offering of €700 million aggregate principal amount of the 1.625% 2029 Senior Notes. We designated this euro-denominated debt as a non-derivative net investment hedge of a portion of our net investments in euro functional-currency denominated subsidiaries to offset foreign currency fluctuations.

#### **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 Executive Vice President and Chief Financial Officer, 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 Executive Vice President and Chief Financial Officer 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 (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, 2022 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 2021 Form 10-K, filed on February 23, 2022, contained a description of various legal proceedings in which we are involved. See below and Note 14 to the unaudited consolidated financial statements within this Quarterly Report on Form 10-Q for description of certain of those proceedings, which information is incorporated by reference herein.

We and other caustic soda producers were named as defendants in multiple purported class action civil lawsuits filed since March 2019 in the U.S. District Court for the Western District of New York. The lawsuits allege the defendants conspired to fix, raise, maintain and stabilize the price of caustic soda, restrict domestic (U.S.) supply of caustic soda and allocate caustic soda customers. The other defendants named in the lawsuits are Olin Corporation, K.A. Steel Chemicals (a wholly owned subsidiary of Olin), Occidental Chemical Corporation d/b/a OxyChem, Shintech Incorporated, and Formosa Plastics Corporation, U.S.A. Each of the lawsuits is filed on behalf of the respective named plaintiff or plaintiffs and a putative class comprised of either direct purchasers or indirect purchasers of caustic soda in the U.S. The plaintiffs in the putative class for such direct purchasers seek \$861 million in single damages from the defendants, in addition to treble damages and attorney's fees. The plaintiffs in the putative class for such indirect purchasers seek an approximately \$500 million in single damages from the defendants, in addition to treble damages (if permitted under applicable state law) and injunctive relief. The defendants' joint motion to dismiss the direct purchaser lawsuits was denied and the cases have proceeded to discovery. Beginning in October 2020, similar class action proceedings were also filed in Canada before the Superior Court of Quebec as well as before the Federal Court. These proceedings seek the certification or authorization of a class action on behalf of all residents of Canada who purchased caustic soda (including, in one of the cases, those who merely purchased products containing caustic soda) from October 1, 2015 through the present or such date deemed appropriate by the court. On December 10, 2021, the Superior Court of Quebec stayed its proceedings until after a final certification decision is released in the Federal Court proceedings. At this time, we are not able to estimate the impact, if any, that these lawsuits could have on our consolidated financial statements either in the current period or in future periods.

From time to time, we receive notices or inquiries from government entities regarding alleged violations of environmental laws and regulations pertaining to, among other things, the disposal, emission and storage of chemical substances, including hazardous wastes. Pursuant to Item 103 of the SEC's Regulation S-K, the following environmental matters involve a governmental authority as a party to the proceedings and potential monetary sanctions that we believe could exceed \$1 million (which is less than one percent of our current assets on a consolidated basis as of September 30, 2022):

- For several years, the Environmental Protection Agency (the "EPA") has been conducting an enforcement initiative against petroleum refineries and petrochemical plants with respect to emissions from flares. On April 21, 2014, we received a Clean Air Act Section 114 Information Request from the EPA which sought information regarding flares at the Calvert City facility and certain Lake Charles facilities. The EPA has informed us that the information provided leads the EPA to believe that some of the flares are out of compliance with applicable standards. In June 2022, the Department of Justice announced that the Company, EPA and state environmental agencies had reached agreement on a consent decree resolving this matter. The consent decree requires the Company to install flare gas recovery units, implement fence line monitoring, install and operate flare monitoring and control equipment to meet certain performance standards, and pay a penalty of \$1 million. Implementation of the requirements under the decree is estimated to cost approximately \$110 million, which includes capital expenditures associated with installation of the flare gas recovery units we are required to install at our Calvert City and Lake Charles facilities. The capital expenditures and other costs required to comply with the consent decree have either been incurred in 2021 or will be incurred over the course of 2022 and 2023. The 30-day federal public comment period for the consent decree has concluded, as well as the public comment period for the states. When the court enters the consent decree, it will become effective. We do not believe that the resolution of these flare matters will have a material adverse effect on our financial condition, results of operations or cash flows.

## **Item 1A. Risk Factors**

For a discussion of risk factors, please read Item 1A, "Risk Factors" in the 2021 Form 10-K. The risk factors included below provide updates to certain risk factors described in the 2021 Form 10-K. The risks described below and in other documents that we file from time to time with the Securities and Exchange Commission could materially and adversely affect our business, results of operations, cash flow, liquidity or financial condition.

### **Risk Factors Relating to Our Operations**

*External factors beyond our control can cause fluctuations in demand for our products and in our prices and margins, which may negatively affect our results of operations and cash flows.*

External factors beyond our control can cause volatility in raw material prices, demand for our products, product prices and volumes and deterioration in operating margins. These factors can also magnify the impact of economic cycles on our business and results of operations. Examples of external factors include:

- general economic and business conditions, including in the United States, Europe and Asia, including inflation, interest rates and possible recession;
- new capacity additions in North America, Europe, Asia and the Middle East;
- the level of business activity in the industries that use our products;
- competitor action;
- technological innovations;
- currency fluctuations;
- the impact of supply chain constraints and workforce availability;
- international events and circumstances;
- pandemics, such as the COVID-19 pandemic, and other public health threats and efforts to contain their transmission;
- war, sabotage, terrorism and civil unrest, including the conflict between Russia and Ukraine;
- governmental regulation, including in the United States, Europe and Asia;
- public attitude towards climate change and safety, health and the environment;
- perceptions of our products by potential buyers of our products, as well as the public generally, and related changes in behavior, including with respect to recycling;

- severe weather and natural disasters; and
- credit worthiness of customers and vendors.

A number of our products are highly dependent on durable goods markets, such as housing and construction, which are themselves particularly cyclical. Weakness in the U.S. residential housing market and economic weakness in North America, Europe, Asia and the Middle East could have an adverse effect on demand and margins for our products. Further, inflationary pressures and the possibility of recession can have an unfavorable impact on the demand for housing and our products.

We may reduce production at or idle a facility for an extended period of time or exit a business because of high raw material prices, an oversupply of a particular product and/or a lack of demand for that particular product, which makes production uneconomical. Temporary outages sometimes last for several quarters or, in certain cases, longer and cause us to incur costs, including the expenses of maintaining and restarting these facilities. Factors such as increases in raw material costs or lower demand in the future may cause us to further reduce operating rates, idle facilities or exit uncompetitive businesses.

A lower level of economic activity in the United States, Europe or globally could result in a decline in demand for our products, which could adversely affect our net sales and margins and limit our future growth prospects. In addition, these risks could cause increased instability in the financial and insurance markets and could adversely affect our ability to access capital and to obtain insurance coverage that we consider adequate or is otherwise required by our contracts with third parties.

***The housing market may continue its recent decline or decline further, and any such continuation or decline in the homebuilding industry may adversely affect our operating results.***

We cannot predict whether and to what extent the housing market in the United States will grow, particularly if interest rates for mortgage loans and construction costs continue to rise. The U.S. housing market remained strong throughout the COVID-19 pandemic, but began softening at the end of the second quarter of 2022 and has continued to decline in the third quarter of 2022 primarily due to inflationary pricing, rapidly rising interest rates for mortgage loans and increasing construction costs. Other factors that might impact the homebuilding industry include uncertainty in domestic and international financial, credit and consumer lending markets amid slow economic growth or recessionary conditions in various regions or industries around the world, including as a result of the COVID-19 pandemic, the conflict between Russia and Ukraine, tight lending standards and practices for mortgage loans that limit consumers' ability to qualify for mortgage financing to purchase a home, higher home prices, population declines or slower rates of population growth or U.S. Federal Reserve policy changes.

If there is limited economic growth, a decline in employment and consumer income, a general change in consumer behavior, including as a result of the COVID-19 pandemic, the conflict between Russia and Ukraine, and/or tightening of mortgage lending standards, practices and regulation, or if interest rates for mortgage loans or home prices rise, there could be a corresponding adverse effect on our financial condition, results of operations or cash flows, including, but not limited to, the amount of revenues or profits we generate in our Housing and Infrastructure Products segment.

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

The following table provides information on our purchases of our common stock during the quarter ended September 30, 2022.

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup>
July 2022	51,958	\$ 97.37	51,330	\$ 55,652,979
August 2022	—	—	—	555,652,979
September 2022	321,100	85.64	321,100	528,153,475
	<u>373,058</u>	\$ 87.27	<u>372,430</u>	

- (1) Includes 628, 0 and 0 shares withheld in July 2022, August 2022 and September 2022, respectively, in satisfaction of withholding taxes due upon the vesting of restricted stock units granted to our employees under the 2013 Omnibus Incentive Plan.
- (2) In November 2014, our Board of Directors authorized a \$250 million stock repurchase program (the "2014 Program"). In November 2015, our Board of Directors approved the expansion of the 2014 Program by an additional \$150 million. In August 2018, our Board of Directors approved the further expansion of the existing 2014 Program by an additional \$150 million. In August 2022, our Board of Directors approved the further expansion of the existing 2014 Program by an additional \$500 million. As of September 30, 2022, 8,216,440 shares of our common stock had been acquired at an aggregate purchase price of approximately \$522 million under the 2014 Program. At September 30, 2022, \$5 million related to the repurchase of common stock for treasury, was included as a component of accounts payable on the consolidated balance sheet. Transaction fees and commissions are not reported in the average price paid per share in the table above. Decisions regarding the amount and the timing of purchases under the 2014 Program will be influenced by our cash on hand, our cash flows from operations, general market conditions and other factors. The 2014 Program may be discontinued by our Board of Directors at any time.

**Item 6. Exhibits**

<b><u>Exhibit No.</u></b>	<b><u>Exhibit Index</u></b>
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Westlake as filed with the Delaware Secretary of State on August 6, 2004 (incorporated by reference to Westlake's Registration Statement on Form S-1/A, filed on August 9, 2004).</a>
3.2	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Westlake as filed with the Delaware Secretary of State on May 16, 2014 (incorporated by reference to Westlake's Current Report on Form 8-K, filed on May 16, 2014, File No. 001-32260).</a>
3.3	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Westlake as filed with the Delaware Secretary of State on May 19, 2017 (incorporated by reference to Westlake's Current Report on Form 8-K, filed on May 19, 2017, File No. 001-32260).</a>
3.4	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Westlake as filed with the Delaware Secretary of State on May 14, 2021 (incorporated by reference to Westlake's Current Report on Form 8-K, filed on May 13, 2021, File No. 001-32260).</a>
3.5	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Westlake as filed with the Delaware Secretary of State on February 18, 2022 (incorporated by reference to Westlake's Current Report on Form 8-K, filed on February 18, 2022, File No. 001-32260).</a>
3.6	<a href="#">Amended and Restated Bylaws of Westlake (incorporated by reference to Westlake's Current Report on Form 8-K, filed on February 18, 2022, File No. 001-32260).</a>
31.1†	<a href="#">Rule 13a – 14(a) / 15d – 14(a) Certification (Principal Executive Officer)</a>
31.2†	<a href="#">Rule 13a – 14(a) / 15d – 14(a) Certification (Principal Financial Officer)</a>
32.1#	<a href="#">Section 1350 Certification (Principal Executive Officer and Principal Financial Officer)</a>
101.INS†	XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document and contained in Exhibit 101

† Filed herewith.

# Furnished herewith.



**CERTIFICATIONS**

I, Albert Chao, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Westlake Corporation (formerly known as Westlake Chemical Corporation) (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ ALBERT CHAO

Albert Chao

President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATIONS**

I, M. Steven Bender, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Westlake Corporation (formerly known as Westlake Chemical Corporation) (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ M. STEVEN BENDER

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**M. Steven Bender**  
**Executive Vice President and Chief Financial Officer**  
**(Principal Financial Officer)**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Westlake Corporation (formerly known as Westlake Chemical Corporation) (the "Company") on Form 10-Q for the fiscal quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Albert Chao, President and Chief Executive Officer of the Company, and I, M. Steven Bender, Executive Vice President and Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of the Company.

Date: November 3, 2022

/s/ ALBERT CHAO  
\_\_\_\_\_  
**Albert Chao**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

Date: November 3, 2022

/s/ M. STEVEN BENDER  
\_\_\_\_\_  
**M. Steven Bender**  
**Executive Vice President and Chief Financial Officer**  
**(Principal Financial Officer)**