

WESTLAKE CHEMICAL CORP
Form 10-K
February 21, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2017

or

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

For the Transition Period from _____ to _____
Commission File No. 001-32260

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

Delaware 76-0346924
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
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 Name of each exchange on which registered
Common Stock, \$0.01 par value New York Stock Exchange, Inc.
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

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

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

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 Act). Yes No

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant on June 30, 2017, the end of the registrant's most recently completed second fiscal quarter, based on a closing price on June 30, 2017 of \$66.21 on the New York Stock Exchange was approximately \$2.4 billion.

There were 129,419,805 shares of the registrant's common stock outstanding as of February 14, 2018.

DOCUMENTS INCORPORATED BY REFERENCE:

Certain information required by Part II and Part III of this Form 10-K is incorporated by reference from the registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A with respect to the registrant's 2018 Annual Meeting of Stockholders to be held on May 18, 2018.

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Explanatory Note

References in this Annual Report on Form 10-K (this "report") to "we," "our," "us" or like terms refer to Westlake Chemical Corporation ("Westlake" or the "Company").

Cautionary Statements about 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 Form 10-K are forward-looking statements. All statements, other than statements of historical facts, included in this Form 10-K 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;
- production capacities;
- currency devaluation;
- our ability to borrow additional funds under the 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 industry;
- timing, funding and results of capital projects, such as the expansion program at our Calvert City facility and the construction of the LACC plant;
- 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 GHG 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" and those described from time to time in our other filings with the SEC including, but not limited to, the following:

- general economic and business conditions;
- the cyclical nature of the chemical industry;
- 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, the Commonwealth of Independent States (including Ukraine) and elsewhere;
- current and potential governmental regulatory actions in the United States and other countries and political unrest in other areas;
- industry production capacity and operating rates;

the supply/demand balance for our products;

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• competitive products and pricing pressures;
• instability in the credit and financial markets;
• access to capital markets;
• terrorist acts;
• operating interruptions (including leaks, explosions, fires, weather-related incidents, mechanical failure, unscheduled downtime, labor difficulties, transportation interruptions, spills and releases and other environmental risks);
• changes in laws or regulations;
• technological developments;
• 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.

Industry and Market Data

Industry and market data used throughout this Form 10-K were obtained through internal company research, surveys and studies conducted by unrelated third parties and publicly available industry and general publications, including information from IHS Markit (formerly IHS Chemical) ("IHS"). We have not independently verified market and industry data from external sources. While we believe internal company estimates are reliable and market definitions are appropriate, neither such estimates nor these definitions have been verified by any independent sources.

Production Capacity

Unless we state otherwise, annual production capacity estimates used throughout this Form 10-K represent rated capacity of the facilities at December 31, 2017. We calculated rated capacity by estimating the number of days in a typical year that a production unit of a plant is expected to operate, after allowing for downtime for regular maintenance, and multiplying that number by an amount equal to the unit's optimal daily output based on the design feedstock mix. Because the rated capacity of a production unit is an estimated amount, actual production volumes may be more or less than the rated capacity.

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PART I

Item 1. Business

General

We are a vertically integrated global manufacturer and marketer of basic chemicals, vinyls, polymers and building products. Our products include some of the most widely used chemicals in the world, which are fundamental to many diverse consumer and industrial markets, including flexible and rigid packaging, automotive products, coatings, water treatment, refrigerants, residential and commercial construction as well as other durable and non-durable goods. We operate in two principal operating segments, Olefins and Vinyls. We are highly integrated along our olefins product chain with significant downstream integration into polyethylene and styrene monomer. We are also an integrated global producer of vinyls with substantial downstream integration into polyvinyl chloride ("PVC") building products. We began operations in 1986 after our first polyethylene plant, an Olefins segment business, near Lake Charles, Louisiana was acquired from Occidental Petroleum Corporation. We began our vinyls operations in 1990 with the acquisition of a vinyl chloride monomer ("VCM") plant in Calvert City, Kentucky from Goodrich Corporation. In 1992, we commenced our Vinyls segment's building products operations after acquiring three PVC pipe plants. Since 1986, we have grown rapidly into an integrated global producer of petrochemicals, vinyls, polymers and building products. We achieved this growth by acquiring existing plants or constructing new plants and completing numerous capacity or production line expansions. We regularly consider acquisitions and other internal and external growth opportunities that would be consistent with, or complementary to, our overall business strategy.

In 2014, we formed Westlake Chemical Partners LP ("Westlake Partners") to operate, acquire and develop ethylene production facilities and related assets. Also in 2014, Westlake Partners completed an initial public offering of 12,937,500 common units (the "Westlake Partners IPO"). On September 29, 2017, Westlake Partners completed a secondary offering of 5,175,000 common units at a price of \$22.00 per unit and purchased an additional 5.0% newly-issued limited partner interest in Westlake Chemical OpCo LP ("OpCo") for approximately \$229 million resulting in an aggregate 18.3% limited partner interest in OpCo effective July 1, 2017. As of February 14, 2018, Westlake Partners' assets consist of an 18.3% limited partner interest in OpCo, as well as the general partner interest in OpCo. Prior to the Westlake Partners IPO, OpCo's assets were wholly-owned by us. OpCo's assets include two ethylene production facilities at our olefins facility at our Lake Charles site, one ethylene production facility at our Calvert City site and a 200-mile common carrier ethylene pipeline that runs from Mont Belvieu, Texas to the Longview, Texas site, which includes our Longview polyethylene production facility. We retain an 81.7% limited partner interest in OpCo, a 43.8% limited partner interest in Westlake Partners (consisting of 14,122,230 common units), a general partner interest in Westlake Partners and incentive distribution rights. The operations of Westlake Partners are consolidated in our financial statements. We are party to certain agreements with Westlake Partners and OpCo whereby, among other things, OpCo sells us 95% of the ethylene it produces on a cost-plus basis that is expected to generate a fixed margin per pound of \$0.10. We use this ethylene in the production processes of both our Olefins and Vinyls segments. For more information, see "—Olefins Business" and "—Vinyls Business" below.

On August 31, 2016, we completed the acquisition of Axiall Corporation ("Axiall") for \$33.00 per share in an all-cash transaction (the "Merger"), pursuant to the terms of the Agreement and Plan of Merger (the "Merger Agreement"), dated as of June 10, 2016, by and among Westlake, Axiall and Lagoon Merger Sub, Inc., a wholly-owned subsidiary of Westlake. Axiall is a manufacturer and international marketer of chemicals and building products, with manufacturing sites in North America. As a result of the combination with Axiall, we are the third-largest global chlor-alkali producer and the third-largest PVC producer in the world.

We benefit from highly integrated production facilities that allow us to process raw materials into higher value-added chemicals and building products. As of February 14, 2018, we (directly and through OpCo and our 95% and 60% owned Asian joint ventures) had approximately 40.7 billion pounds per year of aggregate production capacity at numerous manufacturing sites in North America, Europe and Asia.

Olefins Business

Products

Olefins are the basic building blocks used to create a wide variety of petrochemical products. We manufacture ethylene (through OpCo), polyethylene, styrene and associated co-products at our manufacturing facility in Lake Charles and polyethylene at our Longview facility. We have two ethylene plants, which are owned by OpCo, two polyethylene plants and one styrene monomer plant at our olefins facility at our Lake Charles site. We have three polyethylene plants and a specialty polyethylene wax plant at our Longview site.

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The following table illustrates our production capacities at February 14, 2018 by principal product and the primary end uses of these materials:

Product	Annual Capacity (Millions of pounds)	End Uses
Ethylene ⁽¹⁾	2,990	Polyethylene, ethylene dichloride ("EDC"), styrene, ethylene oxide/ethylene glycol
Low-Density Polyethylene ("LDPE")	1,500	High clarity packaging, shrink films, laundry and dry cleaning bags, ice bags, frozen foods packaging, bakery bags, coated paper board, cup stock, paper folding cartons, lids, closures and general purpose molding
Linear Low-Density Polyethylene ("LLDPE")	1,070	Heavy-duty films and bags, general purpose liners
Styrene	570	Consumer disposables, packaging material, appliances, paints and coatings, resins and building materials

(1) Production capacity owned by OpCo.

Ethylene. Ethylene is the world's most widely used petrochemical in terms of volume. It is the key building block used to produce a large number of higher value-added chemicals including polyethylene, EDC, VCM and styrene. OpCo has the capacity to produce approximately 3.0 billion pounds of ethylene per year at our olefins facility at our Lake Charles site, and we have the capability to consume all of OpCo's production that we purchase at Lake Charles to produce polyethylene and styrene monomer in our Olefins business and to produce VCM and EDC in our Vinyls business. OpCo also produces ethylene for our Vinyls segment at our Calvert City site, and substantially all of the ethylene we purchase from OpCo at Calvert City is used internally in the production of VCM. For OpCo's annual ethylene production that is purchased by us for our Vinyls business, see "Business—Vinyls Business." In addition, we (through OpCo) produce ethylene co-products including chemical grade propylene, crude butadiene, pyrolysis gasoline and hydrogen. We (through OpCo) sell our entire output of these co-products to external customers. OpCo completed an upgrade and capacity expansion of its Petro 1 ethylene unit at our Lake Charles site in the third quarter of 2016. The Petro 1 expansion project increased OpCo's ethylene capacity by approximately 250 million pounds annually.

Polyethylene. Polyethylene, the world's most widely consumed polymer, is used in the manufacture of a wide variety of film, coatings and molded product applications primarily used in packaging. Polyethylene is generally classified as either LDPE, LLDPE or high-density polyethylene ("HDPE"). The density correlates to the relative stiffness of the end-use products. The difference between LDPE and LLDPE is molecular, and products produced from LLDPE, in general, have higher strength properties than products produced from LDPE. LDPE exhibits better clarity and other physical properties and is used in end products such as bread bags, dry cleaning bags, food wraps, milk carton coatings and snack food packaging. LLDPE is used for higher film strength applications such as stretch film and heavy duty sacks. HDPE is used to manufacture products such as grocery, merchandise and trash bags, rigid plastic containers, plastic closures and pipe.

We are the leading producer of LDPE by capacity in North America and predominantly use the autoclave technology (versus tubular technology), which is capable of producing higher margin specialty polyethylene products. In 2017, our annual capacity of approximately 1.5 billion pounds was available in numerous formulations to meet the needs of our diverse customer base. We also have the capacity to produce approximately 1.1 billion pounds of LLDPE per year in various formulations. We produce LDPE and LLDPE at both Lake Charles and Longview facilities. Our Lake Charles and Longview facilities also have the capability to produce HDPE. We sell polyethylene to external customers as a final product in pellet form.

Styrene. Styrene is used to produce derivatives such as polystyrene, acrylonitrile butadiene styrene, unsaturated polyester and synthetic rubber. These derivatives are used in a number of applications including consumer disposables, food packaging, housewares, paints and coatings, building materials, tires and toys. We produce styrene

at our Lake Charles plant, where we have the capacity to produce approximately 570 million pounds of styrene per year, all of which is sold to external customers.

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Feedstocks

We are highly integrated along our olefins product chain. We (through OpCo) produce most of the ethylene required to produce our polyethylene and styrene. Ethylene can be produced from either petroleum liquid feedstocks, such as naphtha, condensates and gas oils, or from natural gas liquid feedstocks, such as ethane, propane and butane. Both of OpCo's Lake Charles ethylene plants use ethane as the primary feedstock. Pursuant to a feedstock supply agreement between us and OpCo, OpCo receives ethane feedstock at our olefins facility at our Lake Charles site through several pipelines from a variety of suppliers in Texas and Louisiana. We own a 50% interest in a 104-mile natural gas liquids pipeline from Mont Belvieu to our Lake Charles site. OpCo owns a 200-mile ethylene pipeline that runs from Mont Belvieu to our Longview site.

In addition to ethylene supplied by OpCo, we also acquire ethylene from third parties in order to supply a portion of our ethylene requirements. We acquire butene and hexene to manufacture polyethylene and benzene to manufacture styrene. We receive butene and hexene at the Lake Charles site and hexene at the Longview site via rail car from several suppliers. We receive benzene via barges, ships and pipeline pursuant to short-term arrangements. We purchase butene and hexene pursuant to multi-year contracts, some of which are renewable for an additional term subject to either party to the contract notifying the other party that it does not wish to renew the contract. We purchase electricity for our Lake Charles facility under long-term industrial contracts.

Marketing, Sales and Distribution

We have an internal sales force that sells our products directly to our customers. Our polyethylene customers are some of the nation's largest producers of film and flexible packaging.

We and OpCo sell ethylene and ethylene co-products to external customers. OpCo's primary ethylene co-products are chemical grade propylene, crude butadiene, pyrolysis gasoline and hydrogen.

We have storage agreements and exchange agreements that allow us and OpCo access to customers who are not directly connected to the pipeline system that we own. OpCo ships crude butadiene and pyrolysis gasoline by rail or truck. Additionally, we transport our polyethylene and styrene by rail or truck. Further, styrene can be transported by barge or ship.

No single customer accounted for 10% or more of net sales for the Olefins segment in 2017.

Competition

The markets in which our Olefins business operates are highly competitive. We compete on the basis of customer service, product deliverability, quality, consistency, performance and price. Our competitors in the ethylene, polyethylene and styrene markets are some of the world's largest chemical companies, including Chevron Phillips Chemical Company, DowDuPont Inc., ExxonMobil Chemical Company, Formosa Plastics Corporation, LyondellBasell Industries, N.V. and NOVA Chemicals Corporation.

Vinyls Business

Products

Principal products in our integrated Vinyls segment include PVC and PVC compounds, VCM, EDC, chlor-alkali (chlorine and caustic soda) and chlorinated derivative products and, through OpCo, ethylene. We also manufacture and sell building products fabricated from PVC, including siding, pipe, fittings, profiles, trim, mouldings, fence and decking products, window and door components and film and sheet products. We manage our integrated Vinyls production chain, from the basic chemicals to finished building products, to optimize product margins and capacity utilization. Our primary North American chemical manufacturing facilities are located in our Calvert City, Kentucky and Lake Charles, Plaquemine and Geismar, Louisiana sites. Our Calvert City site includes an ethylene plant, which is owned by OpCo, a chlor-alkali plant, a VCM plant and a PVC plant. Our Lake Charles site includes three chlor-alkali plants, two VCM plants, a chlorinated derivative products plant and cogeneration assets. Our Plaquemine site includes a chlor-alkali plant, a VCM plant, a PVC plant and cogeneration assets. Our Geismar site includes a chlor-alkali plant, a VCM plant and a PVC plant. We also produce chlorine, caustic soda, hydrogen and chlorinated derivative products at our Natrium, West Virginia, Longview, Washington and Beauharnois, Quebec facilities and PVC resin and PVC compounds at several facilities in Mississippi. Our European chemical manufacturing facilities are located in Germany and the United Kingdom and include two chlor-alkali plants, two VCM plants and six PVC plants. Our Asian manufacturing facilities are located near Shanghai, in the People's Republic of China, and in Kaohsiung,

Taiwan, through our 95% and 60% owned joint ventures, respectively, and include a PVC plant, a PVC film and sheet plant, a chlor-alkali plant and a chlorinated derivative products plant. As of February 14, 2018, we owned 24 building product facilities.

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The following table illustrates our production capacities at February 14, 2018 by principal product and the end uses of these products:

Product ⁽¹⁾	Annual Capacity ⁽²⁾ (Millions of pounds)	End Uses
Specialty PVC	1,100	Automotive sealants, cable sheathing, medical applications and other applications
Commodity PVC	6,030	Construction materials including pipe, siding, profiles for windows and doors, film and sheet for packaging and other applications
VCM	7,480	PVC
Chlorine	7,140	VCM, organic/inorganic chemicals, bleach
Caustic Soda	7,860	Pulp and paper, organic/inorganic chemicals, neutralization, alumina
Chlorinated Derivative Products	2,290	Coatings, flavorants, films, refrigerants, water treatment applications, chemicals and pharmaceutical production
Ethylene ⁽³⁾	730	VCM
Building Products	1,950	Pipe: water and sewer, plumbing, irrigation, conduit; fittings; profiles and foundation building products; window and door components; fence and deck components; siding, trim and mouldings; film and sheet

(1)EDC, a VCM intermediate product, is not included in the table.

(2)Includes capacity related to our 95% and 60% owned Asian joint ventures.

(3)Production capacity owned by OpCo.

PVC and PVC Compounds. PVC, the world's third most widely used plastic, is an attractive alternative to traditional materials such as glass, metal, wood, concrete and other plastic materials because of its versatility, durability and cost-competitiveness. PVC is produced from VCM, which is, in turn, made from chlorine and ethylene. PVC compounds are highly customized formulations that offer specific end-use properties based on customer-determined manufacturing specifications. PVC compounds are made by combining PVC resin with various additives in order to make either rigid and impact-resistant or soft and flexible compounds. The various compounds are then fabricated into end-products through extrusion, calendaring, injection-molding or blow-molding. Flexible PVC compounds are used for wire and cable insulation, medical films and packaging, flooring, wall coverings, automotive interior and exterior trims and packaging. Rigid extrusion PVC compounds are commonly used in window and door profiles, vertical blinds and construction products, including pipe and siding. Injection-molding PVC compounds are used in specialty products such as computer housings and keyboards, appliance parts and bottles.

We are the third-largest PVC producer in the world. We have the capacity to produce approximately 6.0 billion pounds and 1.1 billion pounds of commodity and specialty PVC per year, respectively, at our various facilities globally. We use some of our North American-produced PVC internally in the production of our building products and PVC compounds. The remainder of our PVC, including the PVC produced at our European and Asian facilities, is sold to downstream fabricators and the international markets.

VCM. VCM is used to produce PVC, solvents and PVC-related products. We use ethylene and chlorine to produce VCM. We have the capacity to produce approximately 6.0 billion pounds and 1.5 billion pounds of VCM per year at our North American and European facilities, respectively. The majority of our VCM is used internally in our PVC operations. VCM not used internally is sold to other vinyl resins producers in domestic and international markets.

Chlorine and Caustic Soda. We combine salt and electricity to produce chlorine and caustic soda, commonly referred to as chlor-alkali, at our Lake Charles, Plaquemine, Natrium, Calvert City, Geismar, Beauharnois, Longview, Gendorf, and Knapsack, Germany and Kaohsiung facilities. We are the third-largest chlor-alkali producer in the

world. We use our chlorine production in our VCM and chlorinated derivative products plants. We currently have the capacity to supply all of our chlorine requirements internally. Any remaining chlorine is sold into the North American merchant chlorine market. Our caustic soda is sold to external customers who use it for, among other things, the production of pulp and paper, organic and inorganic chemicals and alumina.

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Chlorinated Derivative Products. Our chlorinated derivative products include ethyl chloride, perchloroethylene, trichloroethylene, tri-ethane[®] solvents, VersaTRANS[®] solvents, calcium hypochlorite, hydrochloric acid ("HCL") and pelletized caustic soda ("PELS"). We have the capacity to produce approximately 2.3 billion pounds of chlorinated derivative products per year, primarily at our Lake Charles, Natrium, Beauharnois and Longview facilities. The majority of our chlorinated derivative products are sold to external customers who use these products for, among other things, refrigerants, water treatment applications, chemicals and pharmaceutical production, food processing, steel pickling, solvent and cleaning chemicals and natural gas and oil production.

Ethylene. We use the ethylene we purchase that is produced by OpCo at Calvert City to produce VCM. OpCo's Calvert City ethylene plant has the capacity to produce approximately 20% of the ethylene required for our total VCM production. We obtain the remainder of the ethylene we need for our Vinyls business from OpCo's Lake Charles plants and from third party purchases. OpCo's Calvert City ethylene plant utilizes ethane feedstock and enables us, through OpCo, to enhance our vinyl chain integration. In January 2016, OpCo announced an expansion project to increase the ethylene capacity of its ethylene plant at our Calvert City facility. The expansion was completed in 2017 and, along with other initiatives, increased ethylene capacity by approximately 100 million pounds annually.

Building Products. Products made from PVC are used in construction materials ranging from water and sewer systems to home and commercial applications for siding, trim, mouldings, fence, deck, window and door systems. Our building products consist of two primary product groups: (i) exterior products, which includes siding, trim, mouldings, window profiles, fence and decking products; and (ii) PVC pipe, specialty PVC pipe and fittings. We manufacture and market exterior products under the Royal Building Products[®], Celect Cellular Exteriors by Royal[®], Zuri Premium Decking by Royal[®], Royal S4S Trim Board[®] and Exterior Portfolio[®] brand names. We manufacture and market specialty pipe and fittings, water, sewer, irrigation and conduit pipe products under the North American Pipe[®] and Royal Building Products[®] brand names. We manufacture film and sheet at our Shanghai facility for both Asian and global markets. All of our building products are sold to external customers. The combined capacity of our 24 building products plants is approximately 2.0 billion pounds per year.

Feedstocks

We are highly integrated along our vinyls production chain. We produce most of the ethylene required by our Calvert City and Geismar facilities (through OpCo). Ethylene produced at OpCo's Calvert City facility utilizes ethane feedstock. We purchase the remainder of the ethylene required for our other North American and European facilities from a number of sources under various contracts. We have access to, and partially own, an ethylene pipeline in Germany. We have long-term leases on salt domes, from which we supply our salt brine requirements by pipeline, close to our Lake Charles chlor-alkali plant. The salt requirements for our Plaquemine and Natrium chlor-alkali plants are supplied internally from our salt domes. We purchase the salt required for our other chlor-alkali plants pursuant to long-term contracts. Electricity and steam for one of our Lake Charles facilities are produced by both on-site cogeneration units and through a toll arrangement with RS Cogen, LLC ("RS Cogen"), a joint venture in which we own a 50% interest. RS Cogen operates a process steam, natural gas-fired cogeneration facility adjacent to the site. Electricity and steam for the Plaquemine facility is supplied internally by our on-site cogeneration unit. A portion of our Natrium facility's electricity requirements is produced by our on-site generation unit, and the remainder purchased under an industrial contract. We purchase electricity for our remaining North American and European facilities under long-term industrial contracts. We purchase VCM for our Asian PVC plant on a contract and spot basis.

Our North American and Asian facilities supply predominantly all of the PVC required for our building products plants. We may also purchase PVC at market prices, if needed. The remaining feedstocks for building products include pigments, fillers, stabilizers and other ingredients, which we purchase under short-term contracts based on prevailing market prices.

Marketing, Sales and Distribution

We have a dedicated sales force for our business, organized by product line and region. In addition, we rely on distributors to market products to smaller customers. We use some of our North American-produced PVC internally in the production of our building products and PVC compounds. The remainder of our PVC, including the PVC produced at our European and Asian facilities, is sold to downstream fabricators and the international markets. We have the capacity to use a majority of our chlorine internally to produce VCM and EDC, most of which, in turn, is

used to produce PVC. We also use our chlorine internally to produce chlorinated derivative products. We sell the remainder of our chlorine and substantially all of our caustic soda production to external customers. The majority of our products are shipped from production facilities directly to the customer via pipeline, truck, rail, barge and/or ship. The remaining products are shipped from production facilities to third party chemical terminals and warehouses until being sold to customers.

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We are the second largest manufacturer of PVC pipe by capacity in the United States. We sell a majority of our siding, trim and mouldings products, PVC pipe, specialty PVC pipe and fittings, and film and sheet products through a combination of our internal sales force and manufacturer's representatives. In Canada, we operate 19 company-owned distribution branches that sell our vinyl siding and accessories and trim and mouldings products, as well as pipe and fittings. We also engage in advertising programs primarily directed at trade professionals that are intended to develop awareness and interest in our products. In addition, we display our building products at trade shows.

No single customer accounted for 10% or more of net sales for the Vinyls segment in 2017.

Competition

The markets in which our Vinyls business operates are highly competitive. Competition in the vinyls market is based on product availability, product performance, customer service and price. We compete in the vinyls market with other producers including Formosa Plastics Corporation, Oxy Chem, LP, Shintech, Inc., Olin Corporation, Mexichem, S.A.B. de C.V., INOVYN ChlorVinyls Limited, VYNOVA Group and Kem One Group SAS.

Competition in the building products market is based on on-time delivery, product quality, product innovation, customer service, product consistency and price. We compete in the building products market with other producers and fabricators including Diamond Plastics Corporation, JM Eagle, Ply Gem Holdings, Inc., CertainTeed Corporation, IPEX Inc., Associated Materials LLC and CPG International, LLC.

Environmental

As is common in our industry, we are subject to environmental laws and regulations related to the use, storage, handling, generation, transportation, emission, discharge, disposal and remediation of, and exposure to, hazardous and non-hazardous substances and wastes in all of the countries in which we do business. National, state or provincial and local standards regulating air, water and land quality affect substantially all of our manufacturing locations around the world. Compliance with such laws and regulations has required and will continue to require capital expenditures and increase operating costs.

It is our policy to comply with all environmental, health and safety requirements and to provide safe and environmentally sound workplaces for our employees. In some cases, compliance can be achieved only by incurring capital expenditures. In 2017, we made capital expenditures of \$15 million related to environmental compliance. We estimate that we will make capital expenditures of approximately \$42 million in 2018 and \$42 million in 2019, respectively, related to environmental compliance. The expected 2018 and 2019 capital expenditures are relatively higher than the amounts we have spent related to environmental compliance in recent years in large part due to capital expenditures related to Environmental Protection Agency (the "EPA") regulations and requirements with respect to the Axiall chlor-alkali sites. The remainder of the 2018 and 2019 estimated expenditures are related to equipment replacement and upgrades. We anticipate that stringent environmental regulations will continue to be imposed on us and the industry in general. Although we cannot predict with certainty future expenditures, management believes that our current spending trends will continue.

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. Item 103 of the SEC's Regulation S-K requires disclosure of certain environmental matters when a governmental authority is a party to the proceedings and the proceedings involve potential monetary sanctions, unless we reasonably believe such sanctions would not exceed \$100,000.

During September 2010, our vinyls facilities in north Lake Charles and Plaquemine each received a Consolidated Compliance Order and Notice of Potential Penalty, alleging violations of various requirements of those facilities' air permits, based largely on self-reported permit deviations related to record-keeping violations. We have been negotiating a possible global settlement of these and several other matters with Louisiana Department of Environmental Quality. We believe the resolution of these matters may require the payment of a monetary sanction in excess of \$100,000.

- For several years, 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, Kentucky 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. The EPA has indicated that it is seeking a consent decree that would obligate us to take corrective actions relating to the alleged noncompliance. We believe the resolution of these matters may require the payment of a monetary sanction in excess of \$100,000.

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Regional offices of the EPA have investigated, and in some cases inspected, our compliance with Risk Management Program requirements under the Clean Air Act at our Calvert City, Kentucky; Natrium, West Virginia and Geismar, Louisiana facilities. We believe the resolution of these matters may require the payment of a monetary sanction in excess of \$100,000.

In October 2017, the Enforcement Division of Kentucky Department of Environmental Protection ("KDEP") indicated that it intended to proceed with enforcement on two Notices of Violation ("NOVs") received by our Calvert City, Kentucky facility in December 2016 and May 2017. The NOVs allege violations of state and federal air requirements in connection with the operation of the olefins unit at the facility. We have engaged in negotiations with KDEP to resolve these alleged violations. We believe the resolution of these matters may require the payment of a monetary sanction in excess of \$100,000.

We do not believe that the resolution of any or all of these matters will have a material adverse effect on our financial condition, results of operations or cash flows.

Also see our discussion of our environmental matters contained in Item 1A, "Risk Factors" below, Item 3, "Legal Proceedings" below and Note 20 to our consolidated financial statements included in Item 8 of this Form 10-K.

Employees

As of December 31, 2017, we had approximately 8,800 employees in the following areas:

Category	Number
Olefins segment	820
Vinyls segment	7,610
Corporate and other	370

Approximately 32% of our employees are represented by labor unions, and all of these union employees are working under collective bargaining agreements that expire at various times through 2022. We have multiple collective bargaining agreements in Europe, Canada and the United States, with varying expiration years, covering different groups of our work force. There were no strikes, lockouts, or work stoppages in 2017 and we believe that our relationship with our employees and unions is open and positive.

Technology

Historically, our technology strategy has been to selectively acquire licenses from third-parties, as well as develop our own proprietary technology. Our selection process incorporates many factors, including the cost of the technology, the ability to meet our customers' requirements, raw material and energy consumption rates, product quality, capital costs, maintenance requirements and reliability. Most of the technology licensed from third-party providers is perpetual and has been paid in full. We own an intellectual property portfolio developed from focused research in both process and product technology. After acquiring or developing a technology, we devote considerable effort to effectively employ the technology and further its development, with a focus towards continuous improvement of our competitive positions.

Conversely, we have selectively granted licenses to our patented Energx[®] technology for LLDPE production and for proprietary LDPE reactor mixing technology. We have also granted several licenses for EDC/VCM technology, including the direct chlorination process and catalyst, and S-PVC (Suspension PVC for thermoplastic process) process and technology.

Segment and Geographic Information

Information regarding sales, income from operations and assets attributable to our Olefins and Vinyls segments, and geographical information is presented in Note 21 to our consolidated financial statements included in Item 8 of this Form 10-K.

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Available Information

Our Web site address is www.westlake.com. We make our Web site content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference in this Form 10-K. We make available on this Web site under "Investor Relations/SEC Filings," free of charge, our proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those materials as soon as reasonably practicable after we electronically file those materials with, or furnish those materials to, the SEC. The SEC also maintains a Web site at www.sec.gov that contains reports, proxy statements and other information regarding SEC registrants, including us.

We intend to satisfy the requirement under Item 5.05 of Form 8-K to disclose any amendments to our Code of Ethics and any waiver from a provision of our Code of Ethics by posting such information on our Web site at www.westlake.com under "Investor Relations/Corporate Governance."

Item 1A. Risk Factors

Cyclicity in the petrochemical industry has in the past, and may in the future, result in reduced operating margins or operating losses.

Our historical operating results reflect the cyclical and volatile nature of the petrochemical industry. The industry is mature and capital intensive. Margins in this industry are sensitive to supply and demand balances both domestically and internationally, which historically have been cyclical. The cycles are generally characterized by periods of tight supply, leading to high operating rates and margins, followed by periods of oversupply primarily resulting from excess new capacity additions, leading to reduced operating rates and lower margins.

Moreover, profitability in the petrochemical industry is affected by the worldwide level of demand along with vigorous price competition which may intensify due to, among other things, new industry capacity. In general, weak economic conditions either in the United States, Europe or the rest of the world tend to reduce demand and put pressure on margins. It is not possible to predict accurately the supply and demand balances, market conditions and other factors that will affect industry operating margins in the future.

New olefins capacity additions in Asia, the Middle East and North America, a number of which have been announced in recent years, may lead to periods of over-supply and lower profitability. As a result, our Olefins segment operating margins may be negatively impacted.

Continued slow recovery in the U.S. construction markets and budgetary constraints in municipal spending have contributed to lower North American demand for our vinyls products. Likewise, European industry production capacities currently exceed demand in the region, largely due to the weak economic environment in Europe. Looking forward, our Vinyls segment operating rates and margins may continue to be negatively impacted by the slow recovery of the U.S. construction markets and the European economy.

We sell commodity products in highly competitive markets and face significant competition and price pressure. We sell our products in highly competitive markets. Due to the commodity nature of many of our products, competition in these markets is based primarily on price and to a lesser extent on performance, product quality, product deliverability and customer service. As a result, we generally are not able to protect our market position for these products by product differentiation and may not be able to pass on cost increases to our customers. Accordingly, increases in raw material and other costs may not necessarily correlate with changes in prices for these products, either in the direction of the price change or in magnitude. Specifically, timing differences in pricing between raw material prices, which may change daily, and contract product prices, which in many cases are negotiated monthly or less often, sometimes with an additional lag in effective dates for increases, have had and may continue to have a negative effect on profitability. Significant volatility in raw material costs tends to place pressure on product margins as sales price increases could lag behind raw material cost increases. Conversely, when raw material costs decrease, customers could seek relief in the form of lower sales prices.

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Volatility in costs of raw materials and energy may result in increased operating expenses and adversely affect our results of operations and cash flows.

Significant variations in the costs and availability of raw materials and energy may negatively affect our results of operations. These costs have risen significantly in the past due primarily to oil and natural gas cost increases. We purchase significant amounts of ethane feedstock, natural gas, ethylene and salt to produce several basic chemicals. We also purchase significant amounts of electricity to supply the energy required in our production processes. The cost of these raw materials and energy, in the aggregate, represents a substantial portion of our operating expenses. The prices of raw materials and energy generally follow price trends of, and vary with market conditions for, crude oil and natural gas, which are highly volatile and cyclical. Changes to regulatory policies applicable to the German energy sector for industrial users have contributed to higher prices for industrial users of energy in the future. Our results of operations have been and could in the future be significantly affected by increases in these costs.

Price increases increase our working capital needs and, accordingly, can adversely affect our liquidity and cash flows. In addition, because we utilize the first-in, first-out ("FIFO") method of inventory accounting, during periods of falling raw material prices and declining sales prices, our results of operations for a particular reporting period could be negatively impacted as the lower sales prices would be reflected in operating income more quickly than the corresponding drop in feedstock costs. We use derivative instruments in an attempt to reduce price volatility risk on some feedstock commodities. In the future, we may decide not to hedge any of our raw material costs or any hedges we enter into may not have successful results. Also, our hedging activities involve credit risk associated with our hedging counterparties, and a deterioration in the financial markets could adversely affect our hedging counterparties and their abilities to fulfill their obligations to us.

Lower prices of crude oil, such as those experienced since the third quarter of 2014 and continuing through 2017 (as of December 31, 2017, approximately 44% lower than their 2014 peak levels), have led to a reduction in the cost advantage for natural gas liquids-based ethylene crackers in North America, such as ours, as compared to naphtha-based ethylene crackers that use crude oil derivatives. As a result, our margins and cash flows have been and may continue to be negatively impacted. This impact could be magnified to the extent crude oil prices drop even further and depending on how long prices remain at these levels. Lower crude oil and natural gas prices could lead to a reduction in hydraulic fracturing in the United States, which could reduce the availability of feedstock and increase prices of feedstock for our operations. Higher natural gas prices could also adversely affect our ability to export products that we produce in the United States outside of the United States. In addition to the impact that this has on our exports from the United States, reduced competitiveness of U.S. producers also has in the past increased the availability of chemicals in North America, as U.S. production that would otherwise have been sold overseas was instead offered for sale domestically, resulting in excess supply and lower prices in North America. We could also face the threat of imported products from countries that have a cost advantage. Additionally, the export of natural gas liquids from the United States or greater restrictions on hydraulic fracturing could restrict the availability of our raw materials in the United States, thereby increasing our costs.

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 conditions, including in the United States, Europe and Asia;
- 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;
- increases in interest rates;
- international events and circumstances;
- war, sabotage, terrorism and civil unrest;

governmental regulation, including in the United States, Europe and Asia;
severe weather and natural disasters; and
credit worthiness of customers and vendors.

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A number of our products are highly dependent on durable goods markets, such as housing and construction, which are themselves particularly cyclical. The significant weakness in the U.S. residential housing market since 2006 and economic weakness in Europe had an adverse effect on demand and margins for our products. If the global economy worsens in general, or the U.S. residential housing market or the European economy worsens in particular, demand for our products and our results of operations and cash flows could be adversely affected.

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.

Hostilities in the Middle East, the Commonwealth of Independent States (including Ukraine) or elsewhere or the occurrence, or threat of occurrence, of terrorist attacks could adversely affect the economies of the United States, Europe and other developed countries. A lower level of economic activity 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. Volatility in prices for crude oil and natural gas could also result in increased feedstock costs. Furthermore, sustained lower prices of crude oil, such as the prices experienced since the third quarter of 2014 and continuing through 2017, have led and may continue to lead to lower margins in the United States. 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.

We operate internationally and are subject to related risks, including exchange rate fluctuations, exchange controls, political risk and other risks relating to international operations.

We operate internationally and are subject to the risks of doing business on a global basis. These risks include, but are not limited to, fluctuations in currency exchange rates, currency devaluations, imposition of trade barriers (which could, among other things, negatively impact our ability to export our products outside of the U.S.), imposition of tariffs and duties, restrictions on the transfer of funds, changes in law and regulatory requirements, involvement in judicial proceedings in unfavorable jurisdictions, economic instability and disruptions, political unrest and epidemics. If the U.S. administration makes certain changes to its foreign trade policies, such changes could lead to imposition of additional trade barriers and tariffs on us in foreign jurisdictions. Our operating results could be negatively affected by any of these risks.

A deterioration in global economic conditions may have a negative impact on our business and financial condition.

A deterioration in global economic conditions may have a negative impact on our business and our financial condition. Our ability to access the capital markets may be severely restricted at a time when we would like, or need, to access such markets, which could have an impact on our flexibility to react to changing economic and business conditions. In addition, the availability of additional financing at cost effective interest rates cannot be assured. A deterioration in global economic conditions could have an impact on the lenders under our revolving credit facility or on our customers and suppliers, causing them to fail to meet their obligations to us. Additionally, a deterioration in global economic conditions could result in reduced demand for our products, which would have a negative impact on our revenues and profits.

Our inability to compete successfully may reduce our operating profits.

The petrochemical industry is highly competitive. Historically, there have been a number of mergers, acquisitions, spin-offs and joint ventures in the industry. This restructuring activity has resulted in fewer but more competitive producers, many of which are larger than we are and have greater financial resources than we do. Among our competitors are some of the world's largest chemical companies and chemical industry joint ventures. Competition within the petrochemical industry and in the manufacturing of building products is affected by a variety of factors, including:

- product price;
- balance of product supply/demand;
- material, technology and process innovation;

technical support and customer service;
quality;
reliability of raw material and utility supply;
availability of potential substitute materials; and
product performance.

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Changes in the competitive environment could have a material adverse effect on our business and our operations.

These changes could include:

- the emergence of new domestic and international competitors;
- the rate of capacity additions by competitors;
- changes in customer base due to mergers;
- the intensification of price competition in our markets;
- the introduction of new or substitute products by competitors; and
- the technological innovations of competitors.

Our production facilities process some volatile and hazardous materials that subject us to operating risks that could adversely affect our operating results.

We have chemical manufacturing sites in the United States, Europe and Asia. Our operations are subject to the usual hazards associated with chemical and plastics manufacturing and the related use, storage, transportation and disposal of feedstocks, products and wastes, including:

- pipeline leaks and ruptures;
- explosions;
- fires;
- severe weather and natural disasters;
- mechanical failure;
- unscheduled downtime;
- labor difficulties;
- transportation interruptions;
- transportation accidents involving our chemical products;
- remediation complications;
- chemical spills;
- discharges or releases of toxic or hazardous substances or gases;
- storage tank leaks;
- other environmental risks;
- sabotage;
- terrorist attacks; and
- political unrest.

According to some experts, global climate change could result in heightened hurricane activity in the Gulf of Mexico and other weather and natural disaster hazards worldwide. If this materializes, severe weather and natural disaster hazards could pose an even greater risk for our facilities, particularly those in Louisiana.

All these hazards can cause personal injury and loss of life, catastrophic damage to or destruction of property and equipment and environmental damage, and may result in a suspension of operations and the imposition of civil or criminal penalties. We could become subject to environmental claims brought by governmental entities or third parties. A loss or shutdown over an extended period of operations at any one of our chemical manufacturing facilities would have a material adverse effect on us. We maintain property, business interruption and casualty insurance that we believe is in accordance with customary industry practices, but we cannot be fully insured against all potential hazards incident to our business, including losses resulting from war risks or terrorist acts. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our financial condition, results of operations or cash flows.

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We are exposed to significant losses from products liability, personal injury and other claims relating to the products we manufacture. Additionally, individuals currently seek, and likely will continue to seek, damages for alleged personal injury or property damage due to alleged exposure to chemicals at our facilities or to chemicals otherwise owned, controlled or manufactured by us. We are also subject to present and future claims with respect to workplace exposure, workers' compensation and other matters. Any such claims, whether with or without merit, could be time consuming, expensive to defend and could divert management's attention and resources. We maintain and expect to continue to maintain insurance for products liability, workplace exposure, workers' compensation and other claims, but the amount and scope of such insurance may not be adequate or available to cover a claim that is successfully asserted against us. In addition, such insurance could become more expensive and difficult to maintain and may not be available to us on commercially reasonable terms or at all. The results of any future litigation or claims are inherently unpredictable, but such outcomes could have a material adverse effect on our financial condition, results of operations or cash flows.

We rely on a limited number of outside suppliers for specified feedstocks and services.

We obtain a significant portion of our raw materials from a few key suppliers. If any of these suppliers is unable to meet its obligations under any present or future supply agreements, we may be forced to pay higher prices to obtain the necessary raw materials. Any interruption of supply or any price increase of raw materials could have a material adverse effect on our business and results of operations. A vendor may choose, subject to existing contracts, to modify its relationship due to general economic concerns or concerns relating to the vendor or us, at any time. Any significant change in the terms that we have with our key suppliers, or any significant additional requirements from our suppliers that we provide them additional security in the form of prepayments or with letters of credits, could materially adversely affect our financial condition, results of operations or cash flows.

We rely heavily on third party transportation, which subjects us to risks and costs that we cannot control. Such risks and costs may materially adversely affect our operations.

We rely heavily on railroads, barges, trucks and other shipping companies to transport raw materials to the manufacturing facilities used by our businesses and to ship finished products to customers. These transport operations are subject to various hazards and risks, including extreme weather conditions, work stoppages and operating hazards (including pipeline leaks and ruptures and storage tank leaks), as well as interstate transportation regulations. In addition, the methods of transportation we utilize, including shipping chlorine and other chemicals by railroad, may be subject to additional, more stringent and more costly regulations in the future. If we are delayed or unable to ship finished products or unable to obtain raw materials as a result of any such new regulations or public policy changes related to transportation safety, or these transportation companies fail to operate properly, or if there were significant changes in the cost of these services due to new or additional regulations, or otherwise, we may not be able to arrange efficient alternatives and timely means to obtain raw materials or ship goods, which could result in a material adverse effect on our business and results of operations.

We may pursue acquisitions, dispositions and joint ventures and/or other transactions that may impact our results of operations and financial condition.

We seek opportunities to maximize efficiency and create stockholder value through various transactions. These transactions may include various domestic and international business combinations, purchases or sales of assets or contractual arrangements or joint ventures that are intended to result in the realization of synergies, the creation of efficiencies or the generation of cash to reduce debt. In this regard, we regularly consider acquisition opportunities that would be consistent or complementary to our existing business strategies. To the extent permitted under our credit facility, the indenture governing our senior notes and other debt agreements, some of these transactions may be financed by additional borrowings by us. Although we would pursue these transactions because we expect them to yield longer-term benefits if the efficiencies and synergies we expect are realized, they could adversely affect our results of operations in the short term because of the costs associated with such transactions and because they may divert management's attention from existing business operations. Other transactions may advance future cash flows from some of our businesses, thereby yielding increased short-term liquidity, but consequently resulting in lower cash flows from these operations over the longer term. These transactions may not yield the business benefits, synergies or financial benefits anticipated by management. Integration of other acquired operations can lead to restructuring

charges or other costs. We may have difficulties integrating the operations of other acquired businesses.

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Our operations and assets are subject to extensive environmental, health and safety laws and regulations. We use large quantities of hazardous substances and generate large quantities of hazardous wastes and emissions in our manufacturing operations. Due to the large quantities of hazardous substances and wastes, our industry is highly regulated and monitored by various environmental regulatory authorities such as the EPA and the European Union, which promulgates the Industrial Emission Directive ("IED"). As such, we are subject to extensive international, national, state and local laws, regulations and directives pertaining to pollution and protection of the environment, health and safety, which govern, among other things, emissions to the air, discharges onto land or waters, the maintenance of safe conditions in the workplace, the remediation of contaminated sites, and the generation, handling, storage, transportation, treatment and disposal of waste materials. Some of these laws, regulations and directives are subject to varying and conflicting interpretations. Many of these laws, regulations and directives provide for substantial fines and potential criminal sanctions for violations and require the installation of costly pollution control equipment or operational changes to limit pollution emissions or reduce the likelihood or impact of hazardous substance releases, whether permitted or not. For example, all of our petrochemical facilities in the United States and Europe may require improvements to comply with certain changes in process safety management requirements. New laws, rules and regulations as well as changes to laws, rules and regulations may also affect us. For example, on April 17, 2012, the EPA promulgated maximum achievable control technology ("MACT") standards for major sources and generally available control technology ("GACT") standards for area sources of PVC production. The rule sets emission limits and work practice standards for total organic air toxics and for three specific air toxics: vinyl chloride, chlorinated di-benzo dioxins and furans ("CD/DF"), and hydrogen chloride and includes requirements to demonstrate initial and continuous compliance with the emission standards. Similarly, the Toxic Substances Control Act ("TSCA") imposes reporting, record-keeping and testing requirements, and restrictions relating to the production, handling, and use of chemical substances. The TSCA reform legislation enacted in June 2016 expanded the EPA's authority to review and regulate new and existing chemicals. In June 2017, the EPA issued three rules that implement the TSCA reform legislation. One rule establishes the EPA's process and criteria for identifying high priority chemicals for risk evaluation. Another rule sets the EPA's approach for determining whether these high priority chemicals present an unreasonable risk to health or the environment. These two rules are currently the subject of legal challenges by environmental groups. The third rule requires industry reporting of chemicals manufactured or processed in the United States over the past 10 years. These rules or future new, amended or proposed laws or rules may result in an increase in regulations, which could increase our costs or reduce our production, which could have a material adverse effect on our business, financial condition, operating results or cash flows. In addition, we cannot accurately predict future developments, such as increasingly strict environmental and safety laws or regulations, and inspection and enforcement policies, as well as resulting higher compliance costs, which might affect the handling, manufacture, use, emission, disposal or remediation of products, other materials or hazardous and non-hazardous waste, and we cannot predict with certainty the extent of our future liabilities and costs under environmental, health and safety laws and regulations. These liabilities and costs may be material.

In March 2011, the EPA proposed amendments to the emission standards for hazardous air pollutants for mercury emissions from mercury cell chlor-alkali plants. These proposed amendments would require improvements in work practices to reduce fugitive mercury emissions. We operate a mercury cell production unit at our Natrium facility. We cannot predict the timing or content of the final regulation, or its ultimate cost to, or impact on us.

Our operations produce greenhouse gas ("GHG") emissions, which have been the subject of increased scrutiny and regulation. In December 2015, the United States joined the international community at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris, France. The resulting Paris Agreement calls for the parties to undertake "ambitious efforts" to limit the average global temperature and to conserve and enhance sinks and reservoirs of greenhouse gases. The United States signed the Paris Agreement in April 2016, and the Paris Agreement went into effect in November 2016. However, in June 2017, the Trump Administration announced that the United States intends to withdraw from the Paris Agreement. Pursuant to the terms of the Paris Agreement, the earliest date the United States can effectively withdraw is November 2020. The United States' adherence to the exit process and/or the terms on which the United States may reenter the Paris Agreement or a separately negotiated agreement are unclear at this time. Legislation to regulate GHG emissions has also been

introduced in the United States Congress, and there has been a wide-ranging policy debate regarding the impact of these gases and possible means for their regulation. Some of the proposals would require industries to meet stringent new standards that would require substantial reductions in carbon emissions. Those reductions could be costly and difficult to implement.

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Various jurisdictions have considered or adopted laws and regulations on GHG emissions, with the general aim of reducing such emissions. The EPA currently requires certain industrial facilities to report their GHG emissions, and to obtain permits with stringent control requirements before constructing or modifying new facilities with significant GHG emissions. In the European Union, the Emissions Trading Scheme obligates certain emitters to obtain GHG emission allowances to comply with a cap and trade system for GHG emissions. In addition, the European Union has committed to reduce domestic GHG emissions by at least 40% below the 1990 level by 2030. As our chemical manufacturing processes result in GHG emissions, these and other GHG laws and regulations could affect our costs of doing business.

Under the IED, European Union member state governments are expected to adopt rules and implement environmental permitting programs relating to air, water and waste for industrial facilities. In this context, concepts such as the "best available technique" are being explored. Future implementation of these concepts may result in technical modifications in our European facilities. In addition, under the Environmental Liability Directive, European Union member states can require the remediation of soil and groundwater contamination in certain circumstances, under the "polluter pays principle." We are unable to predict the impact these requirements and concepts may have on our future costs of compliance.

We also may face liability for alleged personal injury or property damage due to exposure to chemicals or other hazardous substances at our facilities or to chemicals that we otherwise manufacture, handle or own. Although these types of claims have not historically had a material impact on our operations, a significant increase in the success of these types of claims could have a material adverse effect on our business, financial condition, operating results or cash flows.

Environmental laws may have a significant effect on the nature and scope of, and responsibility for, cleanup of contamination at our current and former operating facilities, the costs of transportation and storage of raw materials and finished products, the costs of reducing emissions and the costs of the storage and disposal of wastewater. The U.S. Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), similar state laws and certain European directives impose joint and several liability for the costs of remedial investigations and actions on the entities that generated waste, arranged for disposal of the wastes, transported to or selected the disposal sites and the past and present owners and operators of such sites. All such potentially responsible parties (or any one of them, including us) may be required to bear all of such costs regardless of fault, legality of the original disposal or ownership of the disposal site. In addition, CERCLA, similar state laws and certain European directives could impose liability for damages to natural resources caused by contamination.

Although we seek to take preventive action, our operations are inherently subject to accidental spills, discharges or other releases of hazardous substances that may make us liable to governmental entities or private parties. This may involve contamination associated with our current and former facilities, facilities to which we sent wastes or by-products for treatment or disposal and other contamination. Accidental discharges may occur in the future, future action may be taken in connection with past discharges, governmental agencies may assess damages or penalties against us in connection with any past or future contamination, or third parties may assert claims against us for damages allegedly arising out of any past or future contamination. In addition, we may be liable for existing contamination related to certain of our facilities for which, in some cases, we believe third parties are liable in the event such third parties fail to perform their obligations.

Capital projects are subject to risks, including delays and cost overruns, which could have an adverse impact on our financial condition and results of operations.

We have capital expansion plans for our facilities. Expansion projects may be subject to delays or cost overruns, including delays or cost overruns resulting from any one or more of the following:

- unexpectedly long delivery times for, or shortages of, key equipment, parts or materials;
- shortages of skilled labor and other personnel necessary to perform the work;
- delays and performance issues;
- failures or delays of third-party equipment vendors or service providers;
- unforeseen increases in the cost of equipment, labor and raw materials;
- work stoppages and other labor disputes;

- unanticipated actual or purported change orders;
- disputes with contractors and suppliers;
- design and engineering problems;
- latent damages or deterioration to equipment and machinery in excess of engineering estimates and assumptions;
- financial or other difficulties of our contractors and suppliers;

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sabotage;

terrorist attacks;

interference from adverse weather conditions; and

difficulties in obtaining necessary permits or in meeting permit conditions.

Significant cost overruns or delays could materially affect our financial condition and results of operations.

Additionally, actual capital expenditures could materially exceed our planned capital expenditures.

Our level of debt could adversely affect our ability to operate our business.

As of December 31, 2017, our indebtedness, including the current portion, totaled \$3.8 billion, and our debt represented approximately 42% of our total capitalization. Our annual interest expense for 2017 was \$159 million, net of interest capitalized of \$4 million. Our level of debt and the limitations imposed on us by our existing or future debt agreements could have significant consequences on our business and future prospects, including the following:

a portion of our cash flows from operations will be dedicated to the payment of interest and principal on our debt and will not be available for other purposes;

we may not be able to obtain necessary financing in the future for working capital, capital expenditures, acquisitions, debt service requirements or other purposes;

our less leveraged competitors could have a competitive advantage because they have greater flexibility to utilize their cash flows to improve their operations;

we may be exposed to risks inherent in interest rate fluctuations because some of our borrowings are at variable rates of interest, which would result in higher interest expense in the event of increases in interest rates;

we could be vulnerable in the event of a downturn in our business that would leave us less able to take advantage of significant business opportunities and to react to changes in our business and in market or industry conditions; and

should we pursue additional expansions of existing assets or acquisition of third party assets, we may not be able to obtain additional liquidity at cost effective interest rates.

These factors could be magnified or accelerated to the extent we were to finance future acquisitions with significant amounts of debt.

To service our indebtedness and fund our capital requirements, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures and pay cash dividends will depend on our ability to generate cash in the future, including any distributions that we may receive from Westlake Partners. This is subject to general economic, financial, currency, competitive, legislative, regulatory and other factors that are beyond our control.

Our business may not generate sufficient cash flows from operations, we may not receive sufficient distributions from Westlake Partners, and currently anticipated cost savings and operating improvements may not be realized on schedule. We also generate revenues denominated in currencies other than that of our indebtedness and may have difficulty converting those revenues into the currency of our indebtedness. We may need to refinance all or a portion of our indebtedness on or before maturity. In addition, we may not be able to refinance any of our indebtedness, including our credit facility and our senior notes, on commercially reasonable terms or at all. All of these factors could be magnified if we were to finance any future acquisitions with significant amounts of debt.

The Credit Agreement and the indenture governing certain of our senior notes impose significant operating and financial restrictions, which may prevent us from capitalizing on business opportunities and taking some actions.

The Credit Agreement and the indenture governing certain of our senior notes impose significant operating and financial restrictions on us. These restrictions limit our ability to:

pay dividends on, redeem or repurchase our capital stock;

make investments and other restricted payments;

incur additional indebtedness or issue preferred stock;

create liens;

permit dividend or other payment restrictions on our restricted subsidiaries;

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• sell all or substantially all of our assets or consolidate or merge with or into other companies;
• engage in transactions with affiliates; and
• engage in sale-leaseback transactions.

These limitations are subject to a number of important qualifications and exceptions. However, the effectiveness of many of these restrictions in the indenture governing certain of our senior notes is currently suspended under the indenture because those notes are currently rated investment grade by at least two nationally recognized credit rating agencies. The Credit Agreement also requires us to maintain a quarterly total leverage ratio.

These covenants may adversely affect our ability to finance future business opportunities or acquisitions. A breach of any of these covenants could result in a default in respect of the related debt. If a default occurred, the relevant lenders could elect to declare the debt, together with accrued interest and other fees, to be immediately due and payable. In addition, any acceleration of debt under the Credit Agreement will constitute a default under some of our other debt, including the indentures governing our senior notes.

Our participation in joint ventures and similar arrangements exposes us to a number of risks, including risks of shared control.

We are party to several joint ventures and similar arrangements, including an investment, together with Lotte Chemical USA Corporation ("Lotte"), in a joint venture to build an ethylene facility, LACC, LLC ("LACC"). Our participation in joint ventures and similar arrangements, by their nature, requires us to share control with unaffiliated third parties. In particular, with respect to our investment in LACC, we are a 10% holder and, therefore, our partner Lotte will have primary control over operations, including management of the contractors responsible for constructing the ethylene facility. If there are differences in views among joint venture participants in how to operate a joint venture that result in delayed decisions or the failure to make decisions, or our joint venture partners do not fulfill their obligations, the affected joint venture may not be able to operate according to its business plan and fulfill its obligations. In that case, we may be required to write down the value of our investment in a joint venture, increase the level of financial or other commitments to the joint venture or, if we have contractual agreements with the joint venture, our operations may be materially adversely affected. Any of the foregoing could have a material adverse effect on our financial condition, results of operations or cash flows.

LACC may incur additional costs or delays in the construction of the LACC ethylene facility.

We have a commitment to contribute up to \$225 million toward the construction of the LACC ethylene facility, which equates to approximately 10% of the equity in LACC. If there are cost overruns, our investment could be diluted below 10% if we do not make additional contributions to maintain our ownership position. The construction of the LACC ethylene facility without delays or significant cost overruns is subject to substantial risks, including:

- shortages and inconsistent quality of equipment, materials, and labor;
- labor costs and productivity;
- work stoppages;
- contractor or supplier delay or non-performance under construction or other agreements or non-performance by other major participants in construction projects;
- delays in or failure to receive necessary permits, approvals, tax credits, and other regulatory authorizations;
- delays associated with start-up activities, including major equipment failure, system integration, and operations, and/or unforeseen engineering problems;
- changes in project design or scope;
- impacts of new and existing laws and regulations, including environmental laws and regulations;
- the outcome of legal challenges to projects, including legal challenges to regulatory approvals;
- failure to construct in accordance with licensing requirements;
- continued public and policymaker support for such projects;
- adverse weather conditions or natural disasters;
- sabotage;
- terrorist attacks;
- environmental and geological conditions;

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delays or increased costs to interconnect facilities; and
other unanticipated cost increases.

Regulations concerning the transportation of hazardous chemicals and the security of chemical manufacturing facilities could result in higher operating costs.

Targets such as chemical manufacturing facilities may be at greater risk of terrorist attacks than other targets. As a result, the chemical industry responded to the issues surrounding the terrorist attacks of September 11, 2001 by implementing initiatives relating to the security of chemicals industry facilities and the transportation of hazardous chemicals. Simultaneously, local, state, national and international governments put into effect a regulatory process that led to new regulations impacting the security of chemical plant locations and the transportation of hazardous chemicals. Our business or our customers' businesses could be adversely affected because of the cost of complying with these regulations.

A change in tax laws, treaties or regulations, or their interpretation or application, could have a negative impact on our business and results of operations.

We are subject to changes in applicable tax laws, treaties or regulations in the jurisdictions in which we operate. A material change in these tax laws, treaties or regulations, or their interpretation or application, could have a negative impact on our business and results of operations.

We may have difficulties integrating the operations of future acquired businesses.

If we are unable to integrate or to successfully manage businesses that we may acquire in the future, our business, financial condition and results of operations could be adversely affected. We may not be able to realize the operating efficiencies, synergies, cost savings or other benefits expected from the acquisitions for a number of reasons, including the following:

- we may fail to integrate the businesses we acquire into a cohesive, efficient enterprise;

our resources, including management resources, are limited and may be strained if we engage in a large acquisition or significant number of acquisitions, and acquisitions may divert our management's attention from initiating or carrying out programs to save costs or enhance revenues; and

our failure to retain key employees and contracts of the businesses we acquire.

Future acquisitions could lead to significant restructuring or other changes.

Regulations related to "conflict minerals" could adversely impact our business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as conflict minerals, originating from the Democratic Republic of Congo and adjoining countries (collectively, the "Covered Countries"). The term "conflict minerals" encompasses tantalum, tin, tungsten (and their ores) and gold.

In August 2012, pursuant to the Dodd-Frank Act, the SEC adopted new annual disclosure and reporting requirements applicable to any company that files periodic public reports with the SEC, if any conflict minerals are necessary to the functionality or production of a product manufactured, or contracted to be manufactured, by that company. These new annual reporting requirements require companies to describe reasonable country of origin inquiries, due diligence measures and the results of those activities and related determinations.

Because we have a highly complex, multi-layered supply chain, we may incur significant costs to comply with these requirements. In addition, the implementation of procedures to comply with these requirements could adversely affect the sourcing, supply and pricing of materials, including components, used in our products. Our suppliers (or suppliers to our suppliers) may not be able or willing to provide all requested information or to take other steps necessary to ensure that no conflict minerals financing or benefiting armed groups are included in materials or components supplied to us for our manufacturing purposes. Also, we may encounter challenges to satisfy customers that may require all of the components of products purchased by them to be certified as conflict free. If we are not able to meet customer certification requirements, customers may choose to disqualify us as a supplier. In addition, since the applicability of the new conflict minerals requirements is limited to companies that file periodic reports with the SEC, not all of our competitors will need to comply with these requirements unless they are imposed by customers. As a result, those competitors may have cost and other advantages over us.

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Our operations could be adversely affected by labor relations.

The vast majority of our employees in Europe, and some of our employees in North America, are represented by labor unions and works councils. Our operations may be adversely affected by strikes, work stoppages and other labor disputes.

We have certain material pension and other postretirement employment benefit ("OPEB") obligations. Future funding obligations related to these obligations could restrict cash available for our operations, capital expenditures or other requirements or require us to borrow additional funds.

We have certain non-U.S. defined benefit pension plans covering current and former employees associated with our European operations that we have not funded and are not obligated to fund under applicable law. In addition, we assumed certain U.S. and non-U.S. tax-qualified and non-tax-qualified pension obligations, as well as OPEB obligations, in connection with the Merger. The non-tax-qualified pension liabilities and OPEB obligations to provide retiree health benefits assumed as a result of the Merger are unfunded. As of December 31, 2017, the projected benefit obligation for our pension and OPEB plans were approximately \$949 million and \$76 million, respectively. The fair value of pension investment assets was \$668 million as of December 31, 2017. The total underfunded status of the pension obligations calculated on a projected benefit obligation basis as of December 31, 2017 was approximately \$281 million, including the Westlake Salaried Plan, which was underfunded by approximately \$120 million on an individual plan basis.

The unfunded OPEB obligations as of December 31, 2017 were approximately \$76 million. We will require future operating cash flows to fund our pension and OPEB obligations, which could restrict available cash for our operations, capital expenditures and other requirements. We may also not generate sufficient cash to satisfy these obligations, which could require us to seek funding from other sources, including through additional borrowings, which could materially increase our outstanding debt or debt service requirements.

If our goodwill, indefinite-lived intangible assets or other intangible assets become impaired in the future, we may be required to record non-cash charges to earnings, which could be significant.

Under GAAP, we review goodwill and indefinite-lived intangible assets for impairment on an annual basis or more frequently if events or circumstances indicate that their carrying value may not be recoverable. Other intangible assets are reviewed if events or circumstances indicate that their carrying value may not be recoverable. The process of impairment testing for our goodwill and intangible assets involves a number of judgments and estimates made by management including the fair values of assets and liabilities, future cash flows, our interpretation of current economic indicators and market conditions, overall economic conditions and our strategic operational plans with regards to our business units. If the judgments and estimates used in our analysis are not realized or change due to external factors, then actual results may not be consistent with these judgments and estimates, and our goodwill and intangible assets may become impaired in future periods. If our goodwill, indefinite-lived intangible assets or other intangible assets are determined to be impaired in the future, we may be required to record non-cash charges to earnings during the period in which the impairment is determined, which could be significant and have an adverse effect on our financial condition and results of operations.

The trading price of our common stock may negatively impact us.

Volatility in the capital and credit markets may cause downward pressure on stock prices and credit availability. A decline in the market value of our common stock could make it more difficult for us to raise any equity capital.

The conversion of Axiall's Enterprise Resource Planning ("ERP") information systems to Westlake's ERP information systems may negatively impact our operations.

We are highly dependent on our information systems infrastructure in order to process orders, track inventory, ship products in a timely manner, prepare invoices to our customers, maintain regulatory compliance and otherwise carry on our business in the ordinary course. Because Axiall had its own ERP information systems, we currently operate on multiple ERP information systems, which complicates our processing, reporting and analysis of business transactions and other information. Since we must process and reconcile our information from multiple systems, the chance of errors is increased, and we may incur significant additional costs related thereto. Inconsistencies in the information from multiple ERP systems could adversely impact our ability to manage our business efficiently and may result in heightened risk to our ability to maintain our books and records and comply with regulatory requirements. We expect

to transition the Axiall systems to Westlake's ERP systems. The transition involves numerous risks, including:

- diversion of management's attention away from normal daily business operations;
- delays and cost overruns;
- loss of or delays in accessing data;

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• increased demand on our operations support personnel;

• initial dependence on unfamiliar systems while training personnel to use new systems; and

• increased operating expenses resulting from training, conversion and transition support activities.

Any of the foregoing could result in a material increase in information technology compliance or other related costs and could materially negatively impact our operations. In addition, any failures in the transition to Westlake's ERP system could delay and/or impede our ability to order materials and services, manufacture products, fill and ship customer orders, invoice customers, generate management reports and timely prepare consolidated financial statements and maintain appropriate internal control over financial reporting, and thus, could unfavorably impact our operations and regulatory compliance in a significant manner.

Failure to adequately protect critical data and technology systems could materially affect our operations.

Information technology system failures, network disruptions and breaches of data security could disrupt our operations by causing delays or cancellation of customer orders, impede the manufacture or shipment of products or cause standard business processes to become ineffective, resulting in the unintentional disclosure of information or damage to our reputation. While we have taken steps to address these concerns by implementing network security and internal control measures, there can be no assurance that a system failure, network disruption or data security breach will not have a material adverse effect on our business, financial condition, operating results or cash flows.

Fluctuations in foreign currency exchange and interest rates could affect our consolidated financial results.

We earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues and expenses into U.S. dollars at the average exchange rate during each reporting period, as well as assets and liabilities into U.S. dollars at exchange rates in effect at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against other major currencies will affect our net revenues, operating income and the value of balance sheet items denominated in foreign currencies. Because of the geographic diversity of our operations, weaknesses in various currencies might occur in one or many of such currencies over time. From time to time, we may use derivative financial instruments to further reduce our net exposure to currency exchange rate fluctuations. However, fluctuations in foreign currency exchange rates, such as the recent strengthening of the U.S. dollar against major currencies, including, in particular, the Canadian dollar, could nevertheless materially adversely affect our financial results.

In addition, we are exposed to volatility in interest rates. When appropriate, we may use derivative financial instruments to reduce our exposure to interest rate risks. However, our financial risk management program may not be successful in reducing the risks inherent in exposures to interest rate fluctuations.

Our property insurance has only partial coverage for acts of terrorism and, in the event of terrorist attack, we could lose net sales and our facilities.

As a result of the terrorist attacks of September 11, 2001 and other events, our insurance carriers created certain exclusions for losses from terrorism from our property insurance policies. While separate terrorism insurance coverage is available, premiums for full coverage are very expensive, especially for chemical facilities, and the policies are subject to high deductibles. Available terrorism coverage typically excludes coverage for losses from acts of war and from acts of foreign governments as well as nuclear, biological and chemical attacks. We have determined that it is not economically prudent to obtain full terrorism insurance, especially given the significant risks that are not covered by such insurance. Where feasible we have secured some limited terrorism insurance coverage on our property where insurers have included it in their overall programs. In the event of a terrorist attack impacting one or more of our facilities, we could lose the net sales from the facilities and the facilities themselves, and could become liable for any contamination or for personal or property damage due to exposure to hazardous materials caused by any catastrophic release that may result from a terrorist attack.

Westlake Partners' tax treatment depends on its status as a partnership for federal income tax purposes, and it not being subject to a material amount of entity-level taxation. We depend in part on distributions from Westlake Partners to generate cash for our operations, capital expenditures, debt service and other uses. If the Internal Revenue Service ("IRS") were to treat Westlake Partners as a corporation for federal income tax purposes, or if Westlake Partners become subject to entity-level taxation for state tax purposes, its cash available for distribution would be substantially

reduced, which would also likely cause a substantial reduction in the value of its common units that we hold. Despite the fact that Westlake Partners is organized as a limited partnership under Delaware law, it would be treated as a corporation for U.S. federal income tax purposes unless it satisfies a "qualifying income" requirement (the "Qualifying Income

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Exception") under Section 7704 of the Internal Revenue Code of 1986, as amended (the "Code"). Failure to meet the Qualifying Income Exception would cause Westlake Partners to be treated as a corporation for U.S. federal income tax purposes.

Prior to its initial public offering, Westlake Partners requested and obtained a favorable private letter ruling from the IRS to the effect that, based on facts presented in the private letter ruling request, income from the production, transportation, storage and marketing of ethylene and its co-products constitutes "qualifying income" within the meaning of Section 7704 of the Code. Failure to meet the Qualifying Income Exception or a change in current law could cause Westlake Partners to be treated as a corporation for U.S. federal income tax purposes or otherwise subject Westlake Partners to taxation as an entity.

We will be controlled by our principal stockholder and its affiliates as long as they own a majority of our common stock, and our other stockholders will be unable to affect the outcome of stockholder voting during that time. Our interests may conflict with those of the principal stockholder and its affiliates, and we may not be able to resolve these conflicts on terms possible in arms-length transactions.

As long as TTWF LP (the "principal stockholder") and its affiliates (the "principal stockholder affiliates") own a majority of our outstanding common stock, they will be able to exert significant control over us, and our other stockholders, by themselves, will not be able to affect the outcome of any stockholder vote. As a result, the principal stockholder, subject to any fiduciary duty owed to our minority stockholders under Delaware law, will be able to control all matters affecting us (some of which may present conflicts of interest), including:

- the composition of our Board of Directors and, through the Board, any determination with respect to our business direction and policies, including the appointment and removal of officers and the determination of compensation;
- any determinations with respect to mergers or other business combinations or the acquisition or disposition of assets;
- our financing decisions, capital raising activities and the payment of dividends; and
- amendments to our amended and restated certificate of incorporation or amended and restated bylaws.

The principal stockholder will be permitted to transfer a controlling interest in us without being required to offer our other stockholders the ability to participate or realize a premium for their shares of common stock. A sale of a controlling interest to a third party may adversely affect the market price of our common stock and our business and results of operations because the change in control may result in a change of management decisions and business policy. Because we have elected not to be subject to Section 203 of the General Corporation Law of the State of Delaware, the principal stockholder may find it easier to sell its controlling interest to a third party than if we had not so elected.

In addition to any conflicts of interest that arise in the foregoing areas, our interests may conflict with those of the principal stockholder affiliates in a number of other areas, including:

- business opportunities that may be presented to the principal stockholder affiliates and to our officers and directors associated with the principal stockholder affiliates, and competition between the principal stockholder affiliates and us within the same lines of business;
- the solicitation and hiring of employees from each other; and
- agreements with the principal stockholder affiliates relating to corporate services that may be material to our business.

We may not be able to resolve any potential conflicts with the principal stockholder affiliates, and even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated party, particularly if the conflicts are resolved while we are controlled by the principal stockholder affiliates. Our amended and restated certificate of incorporation provides that the principal stockholder affiliates have no duty to refrain from engaging in activities or lines of business similar to ours and that the principal stockholder affiliates will not be liable to us or our stockholders for failing to present specified corporate opportunities to us.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

Our principal manufacturing facilities and principal products are set forth below. Except as noted, we own each of these facilities.

Location	Principal Products
Lake Charles, Louisiana	Ethylene, polyethylene, styrene, VCM, chlorine, caustic soda, chlorinated derivative products, electricity
Longview, Texas ⁽¹⁾	Polyethylene, polyethylene wax
Calvert City, Kentucky ⁽²⁾	PVC, VCM, chlorine, caustic soda, ethylene
Plaquemine, Louisiana	PVC, VCM, chlorine, caustic soda, electricity
Geismar, Louisiana	PVC, VCM, chlorine, caustic soda
Gendorf, Bavaria, Germany ⁽¹⁾	PVC, VCM, chlorine, caustic soda
Burghausen, Bavaria, Germany ⁽¹⁾	PVC
Knapsack, North Rhine-Westphalia, Germany ⁽¹⁾	PVC, VCM, chlorine, caustic soda
Cologne, North Rhine-Westphalia, Germany ⁽¹⁾	PVC

(1) We lease the land on which our facilities are located.

(2) We lease a portion of the land on which our Calvert City facility is located.

Olefins

Our olefins facility at our Lake Charles site consists of three tracts on approximately 1,700 acres in Lake Charles, each within three miles of one another. The site includes two ethylene plants, which are owned by OpCo, two polyethylene plants and a styrene monomer plant. The combined capacity of OpCo's two Lake Charles ethylene plants is approximately 3.0 billion pounds per year. The capacity of our two polyethylene plants is approximately 1.5 billion pounds per year and the capacity of our styrene plant is approximately 570 million pounds per year. One of our polyethylene plants has two production units that use gas phase technology with the capability to manufacture both LLDPE and HDPE.

Our Lake Charles site includes a marine terminal that provides for worldwide shipping capabilities. The site also is located near rail transportation facilities, which allows for efficient delivery of raw materials and prompt shipment of our products to customers. In addition, the site is connected by pipeline systems to our ethylene feedstock sources in both Texas and Louisiana. Within the site, OpCo's ethylene plants are connected by pipeline systems to our polyethylene and styrene plants.

Our Longview site consists of three polyethylene plants, a specialty polyethylene wax plant, and a 200-mile ethylene pipeline owned by OpCo that runs from Mont Belvieu to our Longview site. The plants are located inside a large Eastman Chemical Company ("Eastman") facility where Eastman produces a number of other chemical products. We can access ethylene to support our polyethylene operations either by purchasing ethylene from Eastman at the site or by transporting ethylene from OpCo's Lake Charles plant into the Gulf Coast grid and by transporting ethylene through our ethylene pipeline into our Longview facility. The technologies we use to produce polyethylene at Longview are similar to the technologies that we employ at Lake Charles. The Longview facility has a total capacity of approximately 1.1 billion pounds per year.

Vinyls

Our Calvert City site is situated on approximately 750 acres on the Tennessee River in Kentucky and includes an ethylene plant, which is owned by OpCo, a chlor-alkali plant, a VCM plant and a PVC plant. The capacity of OpCo's Calvert City ethylene plant is approximately 730 million pounds per year and the capacity of our chlor-alkali plant is approximately 550 million pounds of chlorine and 605 million pounds of caustic soda per year. Our chlorine plant utilizes efficient, state-of-the-art membrane technology. Our VCM plant has a capacity of approximately 1.5 billion pounds per year and our Calvert City PVC plant has a capacity of approximately 1.5 billion pounds per year. In January 2016, OpCo announced an expansion project to increase the ethylene capacity of its ethylene plant at our Calvert City facility. The expansion was completed in 2017 and, along with other initiatives, increased ethylene capacity by approximately 100 million pounds annually.

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Our vinyls facility at our Lake Charles site consists of two tracts of land making up approximately 1,690 acres, each within three miles of the other. The site operates a diverse portfolio of manufacturing plants, including three chlor-alkali plants, two VCM plants, a chlorinated derivative products plant and cogeneration assets. Our Lake Charles chlor-alkali plants are designed to produce approximately 2.8 billion pounds of chlorine and approximately 3.0 billion pounds of caustic soda per year. Our chlorine plants utilize both membrane and diaphragm technology. Our Lake Charles VCM plants have a capacity of approximately 2.1 billion pounds per year and our chlorinated derivative products plants have a capacity of approximately 715 million pounds per year. Our Lake Charles cogeneration assets have the capacity to generate approximately 420 Megawatts of electricity per year.

Our Plaquemine site is located on approximately 860 acres on the west bank of the Mississippi River in Iberville Parish and includes a chlor-alkali plant, a VCM plant, a PVC plant and cogeneration assets. The capacity of Plaquemine's chlor-alkali plant is approximately 940 million pounds of chlorine and approximately 1.0 billion pounds of caustic soda per year. Our chlorine plant utilizes diaphragm technology. Our Plaquemine VCM plant has a capacity of approximately 1.6 billion pounds per year and our PVC plant has a capacity of approximately 1.9 billion pounds per year. Our Plaquemine cogeneration assets have the capacity to generate approximately 240 Megawatts of electricity per year.

Our Geismar site is situated on approximately 185 acres on the east bank of the Mississippi River and includes a chlor-alkali plant, a VCM plant and a PVC plant. Our Geismar chlor-alkali plant is designed to produce approximately 700 million pounds of chlorine and approximately 770 million pounds of caustic soda per year. Our chlorine plant utilizes membrane technology. Our Geismar VCM plant has a capacity of approximately 850 million pounds per year and our PVC plant has a capacity of approximately 730 million pounds per year.

Our other North American vinyls manufacturing sites consist of facilities in Natrium, Longview and Beauharnois and include five chlor-alkali plants and four chlorinated derivative products plants. In addition, we have PVC resin and PVC compounds facilities located in Aberdeen, Gallman, Madison and Prairie, Mississippi. The chlor-alkali plants have a combined capacity of approximately 1.0 billion pounds of chlorine and approximately 1.1 billion pounds of caustic soda per year, the PVC plant has a capacity of approximately 1.0 billion pounds per year and our chlorinated derivative products plants have a combined capacity of approximately 1.3 billion pounds per year.

Our European vinyls manufacturing sites consist of five facilities in Germany and one facility in the United Kingdom, and include two membrane chlor-alkali plants, two VCM plants and six PVC plants. The chlor-alkali plants have a combined capacity of approximately 950 million pounds of chlorine and approximately 1.0 billion pounds of caustic soda per year, the VCM plants have a combined capacity of approximately 1.5 billion pounds per year and the PVC plants have a combined capacity of approximately 1.7 billion pounds per year.

As of February 14, 2018, we owned 24 building products plants, consisting of 13 PVC pipe plants, eight siding, trim and mouldings plants, two profile plants producing PVC fence, decking, windows and door profiles and one film and sheet plant. The majority of our plants are strategically located near major markets and serve customers throughout the United States, Canada and Asia. The combined capacity of our building product plants is approximately 2.0 billion pounds per year. In addition, we have 19 company-owned building products distribution branches in Canada.

Headquarters

Our principal executive offices are located in Houston, Texas. Some of our office space is leased, at market rates, from an affiliate of our principal stockholder. See Note 18 to the audited consolidated financial statements appearing elsewhere in this Form 10-K and "Certain Relationships and Related Transactions" in our proxy statement to be filed with the SEC pursuant to Regulation 14A with respect to our 2018 annual meeting of stockholders (the "Proxy Statement").

Item 3. Legal Proceedings

In addition to the matters described under Item 1. Business—Environmental and Note 20 to our consolidated financial statements included in Item 8 of this Form 10-K, we are involved in various legal proceedings incidental to the conduct of our business. We do not believe that any of these legal proceedings will have a material adverse effect on our financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosure
Not Applicable.

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Executive Officers of the Registrant

James Chao (age 70). Mr. Chao has been our Chairman of the Board of Directors since July 2004 and became a director in June 2003. From May 1996 to July 2004, he served as our Vice Chairman. Mr. Chao has over 45 years of global experience in the chemical industry. In addition, Mr. Chao has been the Chairman of the Board of Westlake Partners' general partner since its formation in March 2014. From June 2003 until November 2010, Mr. Chao was the executive chairman of Titan Chemicals Corp. Bhd. He has served as a Special Assistant to the Chairman of China General Plastics Group and worked in various financial, managerial and technical positions at Mattel Incorporated, Developmental Bank of Singapore, Singapore Gulf Plastics Pte. Ltd. and Gulf Oil Corporation. Mr. Chao, along with his brother Albert Chao, assisted their father T.T. Chao in founding Westlake Chemical Corporation. Mr. Chao is on the board of Baylor College of Medicine and KIPP (Knowledge Is Power Program). Mr. Chao received his B.S. degree from Massachusetts Institute of Technology and an M.B.A. from Columbia University.

Albert Chao (age 68). Mr. Chao has been our President since May 1996 and a director since June 2003. Mr. Chao became our Chief Executive Officer in July 2004. Mr. Chao has over 40 years of global experience in the chemical industry. In 1985, Mr. Chao assisted his father T.T. Chao and his brother James Chao in founding Westlake Chemical Corporation, where he served as Executive Vice President until he succeeded James Chao as President. In addition, Mr. Chao has been the President, Chief Executive Officer and a director of Westlake Partners' general partner since its formation in March 2014. He has held positions in the Controller's Group of Mobil Oil Corporation, in the Technical Department of Hercules Incorporated, in the Plastics Group of Gulf Oil Corporation and has served as Assistant to the Chairman of China General Plastics Group and Deputy Managing Director of a plastics fabrication business in Singapore. Mr. Chao is a trustee of Rice University. Mr. Chao received a bachelor's degree from Brandeis University and an M.B.A. from Columbia University.

M. Steven Bender (age 61). Mr. Bender has been our Executive Vice President and Chief Financial Officer since July 2017. From February 2008 to July 2017, Mr. Bender served as our Senior Vice President and Chief Financial Officer. In addition, Mr. Bender served as our Treasurer from July 2011 to April 2017, a position he also held from February 2008 until December 2010. From February 2007 to February 2008, Mr. Bender served as our Vice President, Chief Financial Officer and Treasurer and from June 2005 to February 2007, he served as our Vice President and Treasurer. In addition, Mr. Bender has been the Senior Vice President, Chief Financial Officer and a director of Westlake Partners' general partner since its formation in March 2014, and its Treasurer since April 2015. Prior to joining Westlake, from June 2002 until June 2005, Mr. Bender served as Vice President and Treasurer of KBR, Inc., and from 1996 to 2002 he held the position of Assistant Treasurer for Halliburton Company. Prior to that, he held various financial positions within that company. Additionally, he was employed by Texas Eastern Corporation for over a decade in a variety of increasingly responsible audit, finance and treasury positions. Mr. Bender received a Bachelor of Business Administration from Texas A&M University and an M.B.A. from Southern Methodist University. Mr. Bender is also a Certified Public Accountant.

Robert F. Buesinger (age 61). Mr. Buesinger has been our Executive Vice President, Vinyl Products since July 2017. From April 2010 to July 2017, Mr. Buesinger served as our Senior Vice President, Vinyls. Prior to joining us, Mr. Buesinger served as the General Manager and President of Chevron Phillips Chemical Company L.P.'s Performance Pipe Division from February 2010 to March 2010. From June 2008 to January 2010, Mr. Buesinger held the position of General Manager in the Alpha Olefins and Poly Alpha Olefins business of Chevron Phillips Chemical Company L.P. From April 2005 to May 2008, he served as the President and Managing Director of Chevron Phillips Singapore Chemicals Pte. Ltd. and Asia Region General Manager for Chevron Phillips Chemical Company L.P. Prior to that, he held various technical and sales management positions within that company. Mr. Buesinger holds a B.S. in Chemical Engineering from Tulane University.

Lawrence E. (Skip) Teel (age 59). Mr. Teel has been our Executive Vice President, Olefins since July 2017. From July 2014 to July 2017, Mr. Teel served as our Senior Vice President, Olefins and, from July 2012 to July 2014, he served as our Vice President, Olefins. In addition, Mr. Teel has been the Senior Vice President, Olefins of Westlake Partners' general partner since July 2014. Mr. Teel joined us in September 2009 as Director, Olefins and Feedstock after a 23-year career with Lyondell Chemical Company where he served as the Vice President, Refining from August 2006 to May 2008. From 2001 to 2006, Mr. Teel held the position of Director, Corporate Planning and

Business Development at Lyondell Chemical Company. During his career, he has held a variety of marketing, operations and general management assignments. Mr. Teel received a B.S. in Chemical Engineering from New Mexico State University and an M.S. in Finance from the University of Houston.

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L. Benjamin Ederington (age 47). Mr. Ederington has been our Senior Vice President, General Counsel, Chief Administrative Officer and Corporate Secretary since July 2017. From December 2015 to July 2017, Mr. Ederington served as our Vice President, General Counsel, Chief Administrative Officer and Corporate Secretary and, from October 2013 to December 2015, he served as our Vice President, General Counsel and Corporate Secretary. In addition, Mr. Ederington has been the Vice President, General Counsel, Secretary and a director of Westlake Partners' general partner since its formation in March 2014. Prior to joining Westlake, he held a variety of senior legal positions at LyondellBasell Industries, N.V. and its predecessor companies, LyondellBasell Industries AF SCA and Lyondell Chemical Company, including most recently as Associate General Counsel, Commercial & Strategic Transactions from March 2010 to September 2013. He began his legal career more than 20 years ago at the law firm of Steptoe & Johnson, LLP. Mr. Ederington holds a B.A. from Yale University and received his J.D. from Harvard University.

Andrew Kenner (age 53). Mr. Kenner has been our Senior Vice President, Chemical Manufacturing since July 2017. From July 2008 to July 2017, Mr. Kenner served as our Vice President, Manufacturing. Mr. Kenner joined us after a 19-year career at Valero Energy Corporation where he served as Vice President and General Manager of Valero's Delaware City Refinery from September 2005 to July 2008. From August 2004 to September 2005, Mr. Kenner held the position of Vice President and General Manager of Valero's Houston Refinery. Mr. Kenner holds a B.S. in Aerospace Engineering from Texas A&M University and a M.S. in Chemical Engineering from the University of Texas at Austin.

George J. Mangieri (age 67). Mr. Mangieri has been our Senior Vice President and Chief Accounting Officer since July 2017. From February 2007 to July 2017, Mr. Mangieri served as our Vice President and Chief Accounting Officer and, from April 2000 to February 2007, he served as our Vice President and Controller. In addition, Mr. Mangieri has been the Vice President and Chief Accounting Officer of Westlake Partners' general partner since its formation in March 2014. Prior to joining us, Mr. Mangieri served as Vice President and Controller of Zurn Industries, Inc. from 1998 to 2000. He previously was employed as Vice President and Controller for Imo Industries, Inc. in New Jersey, and spent over 10 years in public accounting with Ernst & Young LLP, where he served as Senior Manager. He received his Bachelor of Science degree from Monmouth College and is a Certified Public Accountant.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

As of February 14, 2018, there were 39 holders of record of our common stock. Our common stock is listed on the New York Stock Exchange under the symbol "WLK." Set forth below are the high and low closing prices for our common stock, as reported on the New York Stock Exchange composite tape for the periods indicated and the cash dividends declared in these periods.

	High	Low	Cash Dividends Declared
Year Ended December 31, 2017			
4th Quarter	\$106.53	\$83.10	\$ 0.2100
3rd Quarter	83.55	65.85	0.2100
2nd Quarter	67.34	60.09	0.1906
1st Quarter	67.21	57.29	0.1906
Year Ended December 31, 2016			
4th Quarter	\$59.17	\$49.84	\$ 0.1906
3rd Quarter	53.50	41.21	0.1906