GEORGIA GULF CORP /DE/
Form 10-Q
November 03, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2005

OR

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

For the transition period from to

Commission File Number 1-9753

GEORGIA GULF CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**58-1563799** (I.R.S. Employer Identification No.)
115 Perimeter Center Place, Suite 460, Atlanta, Georgia (Address of principal executive offices)	**30346** (Zip Code)

(770) 395-4500

(Registrant s telephone number, including area code:)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No o

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding as of November 1, 2005
Common Stock, $0.01 par value	34,113,520

GEORGIA GULF CORPORATION FORM 10-Q
QUARTERLY PERIOD ENDED SEPTEMBER 30, 2005
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PART I. FINANCIAL INFORMATION.

Item 1. FINANCIAL STATEMENTS.

GEORGIA GULF CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

In thousands	September 30, 2005	December 31, 2004
ASSETS		
Cash and cash equivalents	**$ 8,968**	$ 21,088
Receivables, net of allowance for doubtful accounts of $2,457 in 2005 and $1,874 in 2004	**123,507**	134,852
Inventories	**163,747**	186,313
Prepaid expenses and other current assets	**6,438**	5,186
Deferred income taxes	**8,625**	10,097
Total current assets	**311,285**	357,536
Property, plant and equipment, net	**401,643**	425,734
Goodwill	**77,720**	77,720
Other assets, net	**173,808**	102,840
Total assets	**$ 964,456**	$ 963,830
LIABILITIES AND STOCKHOLDERS EQUITY		
Current portion of long-term debt	**$ 52,100**	$ 189,900
Accounts payable	**171,477**	205,365
Interest payable	**5,790**	1,557
Accrued compensation	**14,138**	18,293
Other accrued liabilities	**22,174**	11,779
Total current liabilities	**265,679**	426,894
Long-term debt	**228,583**	128,583
Deferred income taxes	**111,646**	128,032
Other non-current liabilities	**15,851**	12,052
Total liabilities	**621,759**	695,561
Commitments and contingencies (note 8)		
Stockholders equity	**342,697**	268,269
Total liabilities and stockholders equity	**$ 964,456**	$ 963,830
Common shares outstanding	**34,114**	33,925

See accompanying notes to condensed consolidated financial statements.

GEORGIA GULF CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

In thousands, except per share data	Three Months Ended September 30, 2005	2004	Nine Months Ended September 30, 2005	2004
Net sales	**$ 525,223**	$ 596,373	**$ 1,754,794**	$ 1,615,332
Operating costs and expenses:				
Cost of sales	**464,884**	520,302	**1,577,036**	1,420,773
Selling, general and administrative expenses	**16,917**	17,182	**47,382**	45,943
Total operating costs and expenses	**481,801**	537,484	**1,624,418**	1,466,716
Operating income	**43,422**	58,889	**130,376**	148,616
Interest expense, net	**(5,148)**	(5,717)	**(15,975)**	(18,199)
Income before income taxes	**38,274**	53,172	**114,401**	130,417
Provision for income taxes	**10,341**	19,807	**37,556**	48,582
Net income	**$ 27,933**	$ 33,365	**$ 76,845**	$ 81,835
Earnings per share:				
Basic	**$ 0.82**	$ 1.01	**$ 2.27**	$ 2.49
Diluted	**$ 0.82**	$ 1.00	**$ 2.24**	$ 2.46
Weighted average common shares:				
Basic	**33,900**	33,007	**33,855**	32,806
Diluted	**34,150**	33,513	**34,234**	33,218

See accompanying notes to condensed consolidated financial statements.

GEORGIA GULF CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

In thousands	Nine Months Ended September 30, 2005	2004
Cash flows from operating activities:		
Net income	**$ 76,845**	$ 81,835
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**47,235**	47,884
Deferred income taxes	**(14,914)**	(122)
Tax benefit related to stock plans	**1,930**	2,344
Stock based compensation	**2,795**	2,496
Change in operating assets, liabilities and other	**(62,027)**	(16,101)
Net cash provided by operating activities	**51,864**	118,336
Cash flows used in investing activities:		
Capital expenditures	**(19,041)**	(15,721)
Cash flows from financing activities:		
Net change in revolving line of credit	**(37,800)**	
Debt payments related to asset securitization		(35,000)
Other long-term debt payments		(75,490)
Proceeds from issuance of common stock	**2,724**	16,686
Purchase and retirement of common stock	**(1,682)**	(603)
Dividends paid	**(8,185)**	(7,946)
Net cash used in financing activities	**(44,943)**	(102,353)
Net change in cash and cash equivalents	**(12,120)**	262
Cash and cash equivalents at beginning of period	**21,088**	1,965
Cash and cash equivalents at end of period	**$ 8,968**	$ 2,227

See accompanying notes to condensed consolidated financial statements.

GEORGIA GULF CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The accompanying condensed consolidated financial statements do reflect all the adjustments that, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows for the interim periods reported. Such adjustments are of a normal, recurring nature. Our operating results for the three and nine-month periods ended September 30, 2005, are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2004. There have been no material changes in the accounting policies followed by us during the period ended September 30, 2005.

2. NEW ACCOUNTING PRONOUNCEMENTS

In December 2004 the Financial Accounting Standards Board, (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-based Payment*, which replaces the prior SFAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS No. 123 (revised 2004) requires compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards will be remeasured each reporting period. Compensation cost will be recognized over the period that an employee provides services in exchange for the award. This new standard will become effective for us on January 1, 2006, due to Securities and Exchange Commission (SEC) Rule 2005-57, which amended the effective date of SFAS No. 123 (revised 2004). On March 29, 2005, the SEC issued Staff Accounting Bulletin (SAB) No. 107. SAB No. 107 summarizes the views of the SEC staff regarding the interaction between SFAS No. 123 (revised 2004) and certain SEC rules and regulations and provides the staff s views regarding the valuation of share-based payment arrangements for public companies. We will be incorporating SAB No. 107 as part of our adoption of SFAS No. 123 (revised 2004). We are still evaluating the impact of these pronouncements on our consolidated financial statements.

In December 2004 the FASB issued FASB Staff Position No. 109-1 (FSP FAS No. 109-1), *Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004.* The American Jobs Creation Act of 2004 introduces a special tax deduction, when fully phased in, of up to 9 percent, of the lesser of qualified production activities income or taxable income. FSP FAS No. 109-1 clarifies that this tax deduction should be accounted for as a special tax deduction in accordance with SFAS No. 109. We are treating the estimated tax deduction on qualified production activities as a special tax deduction in accordance with SFAS No. 109 as prescribed by FSP FAS No. 109-1.

In May 2005 the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, which replaces APB Opinion No. 20, *Accounting Changes*, and FASB Statement No. 3, *Reporting Accounting*

Changes in Interim Financial Statements. SFAS No. 154 requires that a voluntary change in accounting principle be applied retrospectively to all prior period financial statements presented, unless it is impracticable to do so. SFAS No. 154 also provides that a change in method of depreciating, amortizing or depleting a long-lived non-financial asset be accounted for as a change in estimate effected by a change in accounting principle. In addition, SFAS No. 154 requires a correction of an error in previously issued financial statements to be termed a restatement. SFAS No. 154 is effective for accounting changes and errors made in fiscal years beginning after December 15, 2005. We anticipate that the adoption of SFAS No. 154 will not have a material impact on our consolidated financial statements.

On September 15, 2005, the FASB s Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 04-13 *Accounting for Purchases and Sales of Inventory with the Same Counterparty*. The consensus states that an entity would be required to treat sales and purchases of inventory between the entity and the same counterparty as one transaction for purposes of applying APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, when such transactions are entered into in contemplation of each other. When such transactions are legally contingent on each other, they have been entered into in contemplation of each other. The consensus also defines other factors that should be considered in determining whether transactions have been entered into in contemplation of each other. This EITF will be effective for interim and annual reporting periods ending after March 15, 2006. We are currently evaluating the impact of this EITF; however, we anticipate its adoption will not have a material impact on our consolidated financial statements.

3. ACCOUNTS RECEIVABLE SECURITIZATION

We have an agreement pursuant to which we sell an undivided percentage ownership interest in a defined pool of our trade receivables on a revolving basis through a wholly owned subsidiary to third parties (the Securitization). As collections reduce accounts receivable included in the pool, we sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of $165.0 million, as permitted by the Securitization. At September 30, 2005, and December 31, 2004, the unpaid balance of accounts receivable in the defined pool was approximately $260.1 million and $288.4 million, respectively. The balances of receivables sold as of September 30, 2005, and December 31, 2004, were $126.0 million and $165.0 million, respectively.

On October 20, 2005, we increased the balance in the interest of receivables sold under our asset securitization program to $145.0 million due to an increase in the defined pool of eligible trade receivables on September 30, 2005. We used the $19.0 million increase to pay down our revolving credit facility.

4. INVENTORIES

The major classes of inventories were as follows:

In thousands	**September 30, 2005**	**December 31, 2004**
Raw materials and supplies	**$ 67,431**	$ 63,226
Finished goods	**96,316**	123,087
Inventories	**$ 163,747**	$ 186,313

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5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

In thousands	September 30, 2005	December 31, 2004
Machinery and equipment	**$ 967,160**	$ 958,162
Land and land improvements	**27,034**	26,944
Buildings	**31,854**	31,769
Construction-in-progress	**18,929**	16,804
Property, plant and equipment, at cost	**1,044,977**	1,033,679
Accumulated depreciation	**643,334**	607,945
Property, plant and equipment, net	**$ 401,643**	$ 425,734

6. OTHER ASSETS, NET

Other assets, net of accumulated amortization, consisted of the following:

In thousands	September 30, 2005	December 31, 2004
Advances for long-term purchase contracts	**$ 113,422**	$ 37,394
Investment in joint ventures	**21,656**	23,581
Debt issuance costs	**5,418**	6,495
Prepaid pension costs	**17,088**	18,729
Other	**16,224**	16,641
Total other assets	**$ 173,808**	$ 102,840

In the first quarter of 2005, we entered into a long-term raw materials supply contract, which required a $79.0 million advance payment and was classified in advances for long-term purchase contracts within other assets.

7. LONG-TERM DEBT

Long-term debt consisted of the following:

In thousands	September 30, 2005	December 31, 2004
Revolving credit facility	**$ 52,100**	$ 89,900
7.625% notes due 2005	**100,000**	100,000
7.125% notes due 2013	**100,000**	100,000
Other	**28,583**	28,583
Total debt	**280,683**	318,483
Less current portion	**52,100**	189,900
Long-term debt	**$ 228,583**	$ 128,583

Over the next twelve months, we expect to pay off the borrowings under our revolving credit facility of $52.1 million, and therefore, we have classified this debt as current. At September 30, 2005, we had a maximum borrowing capacity of $170.0 million under our revolving credit facility, and our unused revolving credit facility totaled $110.1 million, net of outstanding letters of credit for $7.8 million and current borrowings of $52.1 million. On October 17, 2005, we entered into Amendment No. 1 to the credit agreement (the Amendment), which increased the available borrowings under our revolving credit facility, which expires in November 2009, from $170.0 million to $240.0 million. We expect to refinance the

$100.0 million of 7.625 percent notes due in November 2005 with proceeds from the amended revolving credit facility. This amount will remain outstanding over the next twelve months; therefore, the amount represented by the 7.625 percent notes has been classified as long-term in the accompanying balance sheet.

Under the senior credit facility and the indenture related to the 7.125 percent notes, we are subject to certain restrictive covenants, the most significant of which require us to maintain certain financial ratios and limit our ability to pay dividends, make investments, grant liens, sell our assets and engage in certain other activities. As of and for the nine months ended September 30, 2005, we were in compliance with all such covenants.

8. COMMITMENTS AND CONTINGENCIES

Purchase Commitments. In January 2005 we entered into a long-term raw materials supply contract through 2014, which required a $79.0 million advance payment that has been classified in other long-term assets in the accompanying balance sheet. We amortize this advance payment based on the physical delivery of the raw materials. In addition, this purchase commitment is designed to assure a source of supply and is not in excess of our normal manufacturing requirements. We have historically taken physical delivery of the raw materials under similar purchase agreements and intend to take physical delivery over the contract term. Therefore, we account for the purchase agreement under the normal purchase provision of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and its amendments.

Legal Proceedings. We are a party to numerous individual and several class-action lawsuits filed against us, among other parties, arising out of an incident that occurred in September 1996 in which workers were exposed to a chemical substance on our premises in Plaquemine, Louisiana. The substance was later identified to be a form of mustard agent, which occurred as a result of an unforeseen chemical reaction. All of the actions claim one or more forms of compensable damages, including past and future wages, past and future physical and emotional pain and suffering. The lawsuits were originally filed in Louisiana state court in Iberville Parish.

In September 1998 the state court trial judge granted the plaintiffs motion permitting the filing of amended petitions that added the additional allegations that we had engaged in intentional conduct against the plaintiffs. Amended petitions making such allegations were filed. Our two insurers notified us that they were reserving their rights to deny coverage to the extent liability could be established due to such intentional conduct in accordance with their insurance policies. We disputed the insurers reservation of rights. In December 1998, as required by the terms of the insurance policies, each insurer demanded arbitration of the issue of the insurers duties relating to the intentional conduct allegations. As a result of the arbitrations relating to the insurance issue, as permitted by federal statute, the insurers removed the cases to United States District Court in December 1998.

Following the above removal of these actions and unsuccessful attempts by plaintiffs to remand the cases, we were able to settle the claims of all but two worker plaintiffs (and their collaterals) who had filed suit prior to removal. These settlements included the vast majority of those claimants believed to be the most seriously injured. No further legal proceedings are required relating to these settled cases. Negotiations regarding the remaining claims of the two worker plaintiffs are ongoing.

Following these settlements, we were sued by approximately 400 additional plaintiff workers (and their collaterals), who claim that they were injured as a result of the incident. After negotiation, including a mediation, we reached an agreement for the settlement of these additional claims. This court-approved settlement, which is on a class basis, will resolve the claims of all workers who claim to have been exposed and injured as a result of the incident, other than those workers who opt out of the class settlement. We are aware of two worker plaintiffs and several collaterals who have filed suit in state court and opted not to participate in the class settlement, as well as the two worker plaintiffs and collaterals whose claims are pending in federal court (see discussion above). Based on the present status of the proceedings, we believe the liability ultimately imposed on us will not have a material effect on our financial position or on our results of operations.

Many of the workers injured in this accident were employed by contractors we hired to perform various services on our site. Under the contracts for services, the contractors agreed to hold us harmless and indemnify us for amounts we were required to pay for personal injuries to their workers. During the course of this litigation, we made demands for the contractors to reimburse us for damage amounts we had paid to their employees. In August 2003 we recovered $3.1 million as reimbursement for amounts paid by us to one contractor s employees. We continue to pursue additional repayments from other contractors, but we do not believe any future recoveries will be material.

As of October 8, 2004, we concluded a global settlement with the Louisiana Department of Environmental Quality that combines several pending enforcement matters relating to the operation of production facilities in Lake Charles and Plaquemine, Louisiana. These proceedings allege unauthorized episodic releases, exceedences of permitted emission rates, exceedences of authorized emissions limitations, and violation of leak detection and repair requirements. Under the terms of the settlement, we have paid $50,000 to the Louisiana Department of Environmental Quality and have expended $220,000 for the implementation and performance of certain beneficial environmental projects. Further, we will voluntarily undertake additional projects to reduce emissions and protect air quality at a cost of approximately $1.3 million in 2005. These payments and expenditures will not have a material effect on our financial position or on our results of operations.

In August 2004 and January and February 2005, the United States Environmental Protection Agency (USEPA) conducted environmental investigations of our manufacturing facilities in Aberdeen, Mississippi and Plaquemine, Louisiana, respectively. The USEPA has informed us that it has identified several areas of concern, and has indicated that such areas of concern may, in its view, constitute violations of applicable requirements, thus warranting monetary penalties and possible injunctive relief. In lieu of pursuing such relief through its traditional enforcement process, the USEPA has proposed that the parties enter into negotiations in an effort to reach a global settlement of the areas of concern and that such a global settlement cover our manufacturing facilities at Lake Charles, Louisiana and Oklahoma City, Oklahoma as well. It is likely that any such global settlement, if achieved, will result in the imposition of monetary penalties, capital expenditures for installation of environmental controls, and/or other relief. We do not know the total cost of monetary penalties, environmental projects, or other relief that would be imposed in any settlement or order. While we expect that such costs will exceed $100,000, we do not expect that such costs will have a material impact on the company s financial statements.

In addition, we are subject to other claims and legal actions that may arise in the ordinary course of business. We believe that the ultimate liability, if any, with respect to these other claims and legal actions will not have a material effect on our financial position or on our results of operations.

Environmental Regulation. Our operations are subject to increasingly stringent federal, state and local laws and regulations relating to environmental quality. These regulations, which are enforced principally by the USEPA and comparable state agencies, govern the management of solid hazardous waste, emissions into the air and discharges into surface and underground waters, and the manufacture of chemical substances.

In October 2004 the USEPA notified us that we have been identified as a potentially responsible party (PRP) for a Superfund site in Galveston, Texas. The site is a former industrial waste recycling, treatment and disposal facility. Over one thousand PRPs have been identified by the USEPA. We contributed a relatively small proportion of the total amount of waste shipped to the site. In the notice, the USEPA informed us of the agency s willingness to settle with us and other PRPs that contributed relatively small proportions of the total quantity of waste shipped to the Superfund site. We believe that we can reach a settlement with the USEPA in this matter, and although there can be no assurance, we expect the amount of the settlement to be less than $100,000.

There are several serious environmental issues concerning the vinyl chloride monomer (VCM) facility at Lake Charles, Louisiana we acquired from CONDEA Vista Company (CONDEA Vista is now Sasol North America, Inc.) on November 12, 1999. Substantial investigation of the groundwater at the site has been conducted, and groundwater contamination was first identified in 1981. Groundwater remediation through the installation of groundwater recovery wells began in 1984. The site currently contains about 90 monitoring wells and 18 recovery wells. Investigation to determine the full extent of the contamination is ongoing. It is possible that offsite groundwater recovery will be required, in addition to groundwater monitoring. Soil remediation could also be required.

Investigations are currently underway by federal environmental authorities concerning contamination of an estuary near the Lake Charles VCM facility we acquired known as the Calcasieu Estuary. It is likely that this estuary will be listed as a Superfund site and be the subject of a natural resource damage recovery claim. It is estimated that there are about 200 PRPs associated with the estuary contamination. CONDEA Vista is included among these parties with respect to its Lake Charles facilities, including the VCM facility we acquired. The estimated cost for investigation and remediation of the estuary is unknown and could be quite costly. Also, Superfund statutes may impose joint and several liability for the cost of investigations and remedial actions on any company that generated the waste, arranged for disposal of the waste, transported the waste to the disposal site, selected the disposal site, or presently or formerly owned, leased or operated the disposal site or a site otherwise contaminated by hazardous substances. Any or all of the responsible parties may be required to bear all of the costs of cleanup regardless of fault, legality of the original disposal or ownership of the disposal site. Currently, we discharge our wastewater to CONDEA Vista, which has a permit to discharge treated wastewater into the estuary.

CONDEA Vista has agreed to retain responsibility for substantially all environmental liabilities and remediation activity relating to the vinyls business we acquired from it, including the Lake Charles, Louisiana VCM facility. For all matters of environmental contamination that were currently known at the time of acquisition, we may make a claim for indemnification at any time; for environmental matters that were then unknown, we must generally make claims for indemnification before November 12, 2009. Further, our agreement with CONDEA Vista provides that CONDEA Vista will be subject to the presumption that all later discovered on-site environmental contamination arose before closing, and is therefore CONDEA Vista s responsibility; this presumption may only be rebutted if CONDEA Vista can show that we caused the environmental contamination by a major, unaddressed release.

At our Lake Charles VCM facility, CONDEA Vista will continue to conduct the ongoing remediation at its expense until November 12, 2009. After November 12, 2009, we will be responsible for remediation costs up to about $150,000 of expense per year, as well as costs in any year in excess of this annual amount up to an aggregate one-time amount of about $2.3 million. In the first quarter of 2004, as part of our ongoing assessment of our environmental contingencies, we determined these remediation costs to be probable and estimable and therefore recorded an accrual to other non-current liabilities of $2.7 million.

The property owned by CONDEA Vista in Mansfield, Massachusetts, for which we negotiated an early lease termination in May 2001, has been the subject of ongoing environmental investigations under an order with the Massachusetts Department of Environmental Protection. Groundwater investigations continue at the Mansfield property to address identified on-site groundwater contamination and investigate the possible off-site migration of contaminated groundwater. It is also possible that the USEPA may list the property as a Superfund site. The environmental investigations and actions are associated with the past operations at the property and were not assumed in our lease of the property. In addition, CONDEA Vista has indemnified us for claims related to this environmental contamination beyond an aggregate threshold amount of about $0.3 million, including coverage for potential joint and several liabilities under the environmental statutes. Upon removal of manufacturing equipment and termination of the lease, the site with buildings and infrastructure equipment reverted to CONDEA Vista.

As for employee and independent contractor exposure claims, CONDEA Vista is responsible for exposures before November 12, 2009, and we are responsible for exposures after November 12, 2009, on a pro rata basis determined by years of employment or service before and after November 12, 1999, by any claimant. There is, however, a presumption for claims brought before November 12, 2004, by current or former CONDEA Vista employees and contractors that, absent a showing of new acute exposure after November 12, 1999, all responsibility will be deemed to have arisen before November 12, 1999, and will be solely CONDEA Vista s.

We believe that we are in material compliance with all current environmental laws and regulations. We estimate that any expenses incurred in maintaining compliance with these requirements will not materially affect earnings or cause us to exceed our level of anticipated capital expenditures. However, there can be no assurance that regulatory requirements will not change, and it is not possible to accurately predict the aggregate cost of compliance resulting from any such changes.

9. STOCK-BASED COMPENSATION

Restricted Stock Awards. For the nine months ended September 30, 2005 and 2004, we granted restricted stock awards for 110,375 and 108,542 shares, respectively, of our common stock to key employees of the company. The grant date fair value per share of restricted stock granted during the first nine months of 2005 and 2004 was $52.81 and $27.11, respectively. The restricted shares vest over a three-year period. Compensation expense, net of tax, for the third quarter of 2005 and 2004 related to the vesting of all restricted stock awards was approximately $0.5 million and $0.4 million, respectively; compensation expense, net of tax, for the nine months ended September 30, 2005 and 2004, was $1.6 million and $1.5 million, respectively. The unamortized costs of all unvested restricted stock awards of approximately $6.3 million at September 30, 2005, are included in stockholders equity and are being amortized on a straight-line basis over the three-year vesting period.

Stock Options. For the nine months ended September 30, 2005 and 2004, we granted stock options for 317,200 and 326,533 shares, respectively, of our common stock to key employees of the company. The exercise price of stock options granted during the first nine months of 2005 and 2004 was $53.38 and $27.21, respectively. Option prices are equal to the closing price of our common stock on the day prior to the date of grant. Options vest over a one or three-year period from the date of grant and expire no more than ten years after the date of grant.

Pro Forma Effect of Stock Compensation Plans. We account for our stock-based compensation plans in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and comply with SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended, for disclosure purposes. Under these provisions, no compensation expense has been recognized for our stock option plans or our stock purchase plan. For SFAS No. 123 purposes, the fair value of each stock option and stock purchase right for 2005 and 2004 has been estimated as of the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions for 2005 and 2004, respectively.

	Stock purchase plan rights Nine months ended September 30,		**Stock option grants Nine months ended September 30,**	
	2005	**2004**	**2005**	**2004**
Risk-free interest rate	**2.75 %**	1.29 %	**3.97 %**	4.00 %
Expected life	**1 year**	1 year	**5 years**	8 years
Expected volatility	**33 %**	29 %	**39 %**	40 %
Expected dividend yield	**1.33 %**	1.11 %	**0.61 %**	1.18 %

Using the above assumptions, additional compensation expense under the fair value method would be:

	Three months ended September 30,		**Nine months ended September 30,**	
In thousands	**2005**	**2004**	**2005**	**2004**
For stock option grants	**$ 1,045**	$ 830	**$ 2,805**	$ 2,398
For stock purchase plan rights	**299**	192	**828**	575
Total	**1,344**	1,022	**3,633**	2,973
Provision for income taxes	**511**	388	**1,380**	1,129
Total, net of taxes	**$ 833**	$ 634	**$ 2,253**	$ 1,844

Had compensation expense been determined consistently with SFAS No. 123, utilizing the assumptions previously detailed, our net income and earnings per common share would have been the following pro forma amounts:

	Three months ended September 30,		**Nine months ended September 30,**	
In thousands, except per share data	**2005**	**2004**	**2005**	**2004**
Net income				
As reported	**$ 27,933**	$ 33,365	**$ 76,845**	$ 81,835
Pro forma	**27,100**	32,731	**74,592**	79,991
Basic earnings per share:				
As reported	**$ 0.82**	$ 1.01	**$ 2.27**	$ 2.49
Pro forma	**0.80**	0.99	**2.20**	2.44
Diluted earnings per share:				
As reported	**$ 0.82**	$ 1.00	**$ 2.24**	$ 2.46
Pro forma	**0.80**	0.98	**2.19**	2.42

10. EARNINGS PER SHARE

The following table reconciles the denominator for the basic and diluted earnings per share computations shown on the condensed consolidated statements of income:

In thousands	Three months ended September 30, 2005	2004	Nine months ended September 30, 2005	2004
Weighted average common shares basic	33,900	33,007	33,855	32,806
Plus incremental shares from assumed conversions:				
Options and awards	196	462	344	382
Employee stock purchase plan rights	54	44	35	30
Weighted average common shares diluted	34,150	33,513	34,234	33,218

Options to purchase 0.5 million shares of common stock outstanding at September 30, 2005, were not included in the computation of diluted earnings per share, as the exercise prices of these options were greater than the average market price of the common stock during these periods. There were no such options outstanding at September 30, 2004.

11. COMPREHENSIVE INCOME (LOSS) INFORMATION

Our comprehensive income is comprised of net income (loss), additional minimum pension liability and the fair value of derivative instruments, net of related income taxes. The components of accumulated other comprehensive loss and total comprehensive income (loss) are shown as follows:

Accumulated other comprehensive loss net of tax

In thousands	September 30, 2005	December 31, 2004
Minimum pension liability	**$ (159)**	$ (159)
Accumulated other comprehensive loss	**$ (159)**	$ (159)

Total comprehensive income

In thousands	Three months ended September 30, 2005	2004	Nine months ended September 30, 2005	2004
Net income	**$ 27,933**	$ 33,365	**$ 76,845**	$ 81,835
Reclassification of gain on derivative contracts to income				(204)
Total comprehensive income	**$ 27,933**	$ 33,365	**$ 76,845**	$ 81,631

12. EMPLOYEE RETIREMENT PLANS

The following table provides the components for the net periodic benefit cost for all retirement plans:

In thousands	Three months ended September 30, 2005	2004	Nine months ended September 30, 2005	2004
Service cost	**$ 909**	$ 767	**$ 2,547**	$ 2,301
Interest cost	**1,383**	1,173	**3,969**	3,594
Expected return on plan assets	**(1,775)**	(1,385)	**(5,350)**	(4,155)
Amortization of:				
Transition obligation	**54**	56	**161**	167
Prior service cost	**76**	79	**228**	245
Net loss (gain)	**221**	(247)	**250**	(243)
Net periodic benefit cost	**$ 868**	$ 443	**$ 1,805**	$ 1,909

Our major assumptions used to determine net periodic benefit cost for retirement plans are presented as weighted-averages:

	Nine months ended September 30, 2005	2004
Discount rate	**6.00 %**	6.25 %
Expected return on assets	**8.50 %**	8.75 %
Rate of compensation increase	**4.31 %**	4.31 %

As of September 30, 2005, we have made no contributions during 2005 to the plan trust and we have paid out $0.6 million in the form of direct benefit payments.

13. INCOME TAXES

During the third quarter ended September 30, 2005, we recorded a $3.0 million favorable impact related to changes to the income apportionment rules of various states and the benefits of certain tax credits. Our overall effective income tax rate decreased from 37 percent for both the three months and nine months ended September 30, 2004, to 27 percent and 33 percent for the same periods in 2005 due to the estimated tax deductions created by the American Jobs Creation Act of 2004 and the described items above.

14. SEGMENT INFORMATION

We have two reportable segments through which we conduct our operating activities: chlorovinyls and aromatics. These two segments reflect the organization that we use for internal reporting. The chlorovinyls segment is a highly integrated chain of products that includes chlorine, caustic soda, vinyl chloride monomer and vinyl resins and compounds. The aromatics segment is also vertically integrated and includes cumene and the co-products phenol and acetone.

Earnings of each segment exclude interest income and expense, unallocated corporate expenses and general plant services, and provision for (benefit from) income taxes. Intersegment sales and transfers are insignificant.

In thousands	Three months ended September 30, 2005	2004	Nine months ended September 30, 2005	2004
Segment net sales:				
Chlorovinyls	**$ 388,247**	$ 356,499	**$ 1,167,473**	$ 1,076,648
Aromatics	**136,976**	239,874	**587,321**	538,684
Net sales	**$ 525,223**	$ 596,373	**$ 1,754,794**	$ 1,615,332
Segment operating income (loss):				
Chlorovinyls	**$ 53,115**	$ 39,797	**$ 148,090**	$ 131,165
Aromatics	**(1,878)**	27,546	**3,627**	37,310
Corporate and general plant services	**(7,815)**	(8,454)	**(21,341)**	(19,859)
Total operating income	**$ 43,422**	$ 58,889	**$ 130,376**	$ 148,616

15. SUBSEQUENT EVENTS

Impact of Hurricane Rita on the Fourth Quarter. The devastating hurricane experienced by the U.S. gulf coast region in the last week of September of 2005 resulted in the disruption of our operations and minor property damage at some of our manufacturing facilities. Certain manufacturing plants were shut down in an orderly manner just prior to the hurricane and were down or running at reduced rates for about 18 days during the fourth quarter of 2005 as a result of the hurricane. As of October 19, 2005, plants have returned to near normal operations. The estimated financial impact of this event will result in charges of approximately $12.0 million in the fourth quarter involving repairs and maintenance costs, unabsorbed fixed costs and lost sales resulting from the hurricane. Impacts from the hurricane may continue for the remainder of this quarter, however, we do not believe that any additional impacts will be material. In addition, based on current projections of costs related to the hurricane, we believe it is unlikely that we will be able to recover material amounts through commercial insurance policies.

16. SUPPLEMENTAL GUARANTOR INFORMATION

Our payment obligations under our 7.125 percent senior subordinated notes are guaranteed by GG Terminal Management Corporation, Great River Oil & Gas Corporation, Georgia Gulf Lake Charles, LLC and Georgia Gulf Chemicals & Vinyls, LLC, some of our wholly owned subsidiaries (the Guarantor Subsidiaries). The guarantees are full, unconditional and joint and several. Georgia Gulf Corporation is in essence a holding company for all of its wholly owned subsidiaries. The following unaudited condensed consolidating balance sheets, statements of income and statements of cash flows present the financial statements of the parent company, and the combined financial statements of our Guarantor Subsidiaries and our remaining subsidiaries (the Non-Guarantor Subsidiaries). Provisions in our senior credit facility limit payment of dividends, distributions, loans and advances to us by our subsidiaries.

Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Balance Sheet
September 30, 2005
(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$	$ 8,962	$ 6	$	$ 8,968
Receivables, net	175,587	1,240	132,238	(185,558)	123,507
Inventories		163,747			163,747
Prepaid expenses		6,379	59		6,438
Deferred income taxes		8,625			8,625
Total current assets	175,587	188,953	132,303	(185,558)	311,285
Property, plant and equipment, net	184	401,459			401,643
Goodwill		77,720			77,720
Other assets, net	15,193	158,615			173,808
Investment in subsidiaries	399,347	114,727		(514,074)	
Total assets	$ 590,311	$ 941,474	$ 132,303	$ (699,632)	$ 964,456
LIABILITIES AND STOCKHOLDERS EQUITY					
Current portion of long-term debt	$	$ 52,100	$	$	$ 52,100
Accounts payable	5,024	334,426	17,585	(185,558)	171,477
Interest payable	5,762	28			5,790
Accrued compensation	446	13,692			14,138
Other accrued liabilities		22,174			22,174
Total current liabilities	11,232	422,420	17,585	(185,558)	265,679
Long-term debt, net of current portion	228,583				228,583
Deferred income taxes		111,646			111,646
Other non-current liabilities	7,799	8,052			15,851
Total liabilities	247,614	542,118	17,585	(185,558)	621,759
Stockholders equity	342,697	399,356	114,718	(514,074)	342,697
Total liabilities and stockholders equity	$ 590,311	$ 941,474	$ 132,303	$ (699,632)	$ 964,456

Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Balance Sheet
December 31, 2004
(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$	$ 21,082	$ 6	$	$ 21,088
Receivables, net	177,264	14,443	121,657	(178,512)	134,852
Inventories		186,313			186,313
Prepaid expenses and other		5,090	96		5,186
Deferred income taxes		10,097			10,097
Total current assets	177,264	237,025	121,759	(178,512)	357,536
Property, plant and equipment, net	217	425,517			425,734
Goodwill		77,720			77,720
Other assets, net	14,502	88,338			102,840
Investment in subsidiaries	317,433	112,355		(429,788)	
Total Assets	$ 509,416	$ 940,955	$ 121,759	$ (608,300)	$ 963,830
LIABILITIES AND STOCKHOLDERS EQUITY					
Current portion of long-term debt	$ 100,000	$ 89,900	$	$	$ 189,900
Accounts payable	3,967	370,507	9,403	(178,512)	205,365
Interest payable	1,520	37			1,557
Accrued compensation		18,293			18,293
Other accrued liabilities		11,779			11,779
Total current liabilities	105,487	490,516	9,403	(178,512)	426,894
Long-term debt	128,583				128,583
Deferred income taxes		128,032			128,032
Other non-current liabilities	7,077	4,975			12,052
Total liabilities	241,147	623,523	9,403	(178,512)	695,561
Stockholders equity	268,269	317,432	112,356	(429,788)	268,269
Total liabilities and stockholders equity	$ 509,416	$ 940,955	$ 121,759	$ (608,300)	$ 963,830

Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Statement of Income
Three Months Ended September 30, 2005
(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 3,425	$ 525,223	$ 2,188	$ (5,613)	$ 525,223
Operating costs and expenses:					
Cost of sales		464,884			464,884
Selling, general and administrative expenses	4,703	15,799	2,028	(5,613)	16,917
Total operating costs and expenses	4,703	480,683	2,028	(5,613)	481,801
Operating income (loss)	(1,278)	44,540	160		43,422
Other (expense) income:					
Interest expense, net	(1,083)	(4,065)			(5,148)
Equity in income of subsidiaries	29,670	164		(29,834)	
Income before taxes	27,309	40,639	160	(29,834)	38,274
Provision for (benefit from) income taxes	(624)	10,965			10,341
Net income	$ 27,933	$ 29,674	$ 160	$ (29,834)	$ 27,933

Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Income Statement
Three Months Ended September 30, 2004
(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 2,699	$ 596,373	$ 1,995	$ (4,694)	$ 596,373
Operating costs and expenses:					
Cost of sales		520,302			520,302
Selling, general and administrative expenses	6,876	13,670	1,330	(4,694)	17,182
Total operating costs and expenses	6,876	533,972	1,330	(4,694)	537,484
Operating income (loss)	(4,177)	62,401	665		58,889
Other income (expense):					
Interest expense, net	(1,248)	(4,469)			(5,717)
Equity in income of subsidiaries	36,769	668		(37,437)	
Income before taxes	31,344	58,600	665	(37,437)	53,172
Provision for (benefit from) income taxes	(2,021)	21,828			19,807
Net income	$ 33,365	$ 36,772	$ 665	$ (37,437)	$ 33,365

Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Income Statement
Nine months Ended September 30, 2005
(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 9,065	$ 1,754,794	$ 8,453	$ (17,518)	$ 1,754,794
Operating costs and expenses:					
Cost of sales		1,577,036			1,577,036
Selling, general and administrative expenses	13,883	44,926	6,091	(17,518)	47,382
Total operating costs and expenses	13,883	1,621,962	6,091	(17,518)	1,624,418
Operating income (loss)	(4,818)	132,832	2,362		130,376
Other income (expense):					
Interest expense, net	(2,727)	(13,248)			(15,975)
Equity in income of subsidiaries	81,913	2,373		(84,286)	
Income before taxes	74,368	121,957	2,362	(84,286)	114,401
Provision for (benefit from) income taxes	(2,477)	40,033			37,556
Net income	$ 76,845	$ 81,924	$ 2,362	$ (84,286)	$ 76,845

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Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Income Statement
Nine months Ended September 30, 2004
(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 8,097	$ 1,615,332	$ 4,664	$ (12,761)	$ 1,615,332
Operating costs and expenses:					
Cost of sales		1,420,773			1,420,773
Selling, general and administrative expenses	15,453	39,775	3,476	(12,761)	45,943
Total operating costs and expenses	15,453	1,460,548	3,476	(12,761)	1,466,716
Operating income (loss)	(7,356)	154,784	1,188		148,616
Other income (expense):					
Interest expense, net	(4,200)	(13,999)			(18,199)
Equity in income of subsidiaries	89,087	1,201		(90,288)	
Income before taxes	77,531	141,986	1,188	(90,288)	130,417
Provision for (benefit from) income taxes	(4,304)	52,886			48,582
Net income	$ 81,835	$ 89,100	$ 1,188	$ (90,288)	$ 81,835

Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Statement of Cash Flows
Nine months Ended September 30, 2005
(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income	$ 76,845	$ 81,924	$ 2,362	$ (84,286)	$ 76,845
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	501	46,649	85		47,235
Deferred income taxes		(14,914)			(14,914)
Tax benefit related to stock plans	1,930				1,930
Stock based compensation	2,795				2,795
Equity in net income of subsidiaries	(81,913)	(2,373)		84,286	
Change in operating assets, liabilities and other	6,985	(66,565)	(2,447)		(62,027)
Net cash provided by operating activities	7,143	44,721			51,864
Cash flows used in investing activities:					
Capital expenditures		(19,041)			(19,041)
Cash flows from financing activities:					
Net change in revolving line of credit		(37,800)			(37,800)
Proceeds from issuance of common stock	2,724				2,724
Purchase and retirement of common stock	(1,682)				(1,682)
Dividends paid	(8,185)				(8,185)
Net cash used in financing activities	(7,143)	(37,800)			(44,943)
Net change in cash and cash equivalents		(12,120)			(12,120)
Cash and cash equivalents at beginning of period		21,082	6		21,088
Cash and cash equivalents at end of period	$	$ 8,962	$ 6	$	$ 8,968

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Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Statement of Cash Flows
Nine months Ended September 30, 2004
(Unaudited)

In thousands	**Parent Company**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Cash flows from operating activities:					
Net income	$ 81,835	$ 89,100	$ 1,188	$ (90,288)	$ 81,835
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Depreciation and amortization	535	47,226	123		47,884
Benefit from deferred income taxes		(122)			(122)
Tax benefit related to stock plans	2,344				2,344
Stock based compensation	2,496				2,496
Equity in net income of subsidiaries	(89,087)	(1,201)		90,288	
Change in operating assets, liabilities and other	(6,260)	(8,523)	(1,318)		(16,101)
Net cash (used in) provided by operating activities	(8,137)	126,480	(7)		118,336
Cash flows (used in) investing activities:					
Capital expenditures		(15,721)			(15,721)
Cash flows from financing activities:					
Debt payments related to asset securitization		(35,000)			(35,000)
Other long-term debt payments		(75,490)			(75,490)
Proceeds from issuance of common stock	16,686				16,686
Purchase and retirement of common stock	(603)				(603)
Dividends paid	(7,946)				(7,946)
Net cash provided by (used in) financing activities	8,137	(110,490)			(102,353)
Net change in cash and cash equivalents		269	(7)		262
Cash and cash equivalents at beginning of period		1,955	10		1,965
Cash and cash equivalents at end of period	$	$ 2,224	$ 3	$	$ 2,227

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

We are a leading North American manufacturer and an international marketer of two integrated chemical product lines categorized into two operating segments, chlorovinyls and aromatics chemicals. Our primary chlorovinyls products include chlorine, caustic soda, vinyl chloride monomer (VCM), vinyl resins and vinyl compounds; our primary aromatic products include cumene, phenol and acetone. All of our products are used primarily by customers as raw materials to manufacture a diverse range of products that serve numerous consumer markets for durable and non-durable goods and construction.

Results of Operations

The following table sets forth our consolidated statement of operations data for the periods ended September 30, 2005 and 2004, and the percentage of net sales of each line item for the periods presented.

Dollars in Millions	**Three months ended September 30, 2005**		**September 30, 2004**		**Nine months ended September 30, 2005**		**September 30, 2004**	
Net sales	**$ 525**	**100 %**	$ 596	100 %	**$ 1,755**	**100 %**	$ 1,615	100 %
Cost of sales	**465**	**89 %**	520	87 %	**1,577**	**90 %**	1,421	88 %
Gross margin	**60**	**11 %**	76	13 %	**178**	**10 %**	194	12 %
Selling, general and administrative	**17**	**3 %**	17	3 %	**48**	**3 %**	46	3 %
Operating income	**43**	**8 %**	59	10 %	**130**	**7 %**	149	9 %
Net interest expense	**5**	**1 %**	6	1 %	**16**	**1 %**	18	1 %
Provision for income taxes	**10**	**2 %**	20	3 %	**37**	**2 %**	49	3 %
Net income	**$ 28**	**5 %**	$ 33	6 %	**$ 77**	**4 %**	$ 82	5 %

The following table sets forth certain financial data by segment for the periods ended September 30, 2005 and 2004, and the percentage of total of each line item for the periods presented.

Dollars in Millions	**Three months ended September 30, 2005**		**September 30, 2004**		**Nine months ended September 30, 2005**		**September 30, 2004**	
Net sales								
Chlorovinyls	**$ 388**	**74 %**	$ 356	60 %	**$ 1,168**	**67 %**	$ 1,076	67 %
Aromatics	**137**	**26 %**	240	40 %	**587**	**33 %**	539	33 %
Total net sales	**$ 525**	**100 %**	$ 596	100 %	**$ 1,755**	**100 %**	$ 1,615	100 %
Gross margin								
Chlorovinyls	**$ 61**	**102 %**	$ 47	62 %	**$ 171**	**96 %**	$ 154	79 %
Aromatics	**(1)**	**(2)%**	29	38 %	**7**	**4 %**	40	21 %
Total Gross margin	**$ 60**	**100 %**	$ 76	100 %	**$ 178**	**100 %**	$ 194	100 %

Three Months Ended September 30, 2005, Compared With Three Months Ended September 30, 2004

Net Sales. For the three months ended September 30, 2005, net sales were $525.2 million, a decrease of 12 percent compared to $596.4 million for the same quarter last year primarily as a result of a 15 percent decrease in overall sales volumes. Our overall sales volume decrease from the same period last year is mainly attributable to a decrease in demand for our aromatic products as a result of increased Asian phenol capacity during 2005 and lower cumene spot sales. In addition, our sales volumes were impacted by inclement weather conditions in the U.S. gulf coast region caused by increased hurricane activity compared to the same period last year. Our overall average sales prices increase of 4 percent is primarily a result of increases in the prices of caustic soda and vinyl resins and compounds.

Chlorovinyls segment net sales totaled $388.2 million for the three months ended September 30, 2005, an increase of 9 percent compared to net sales of $356.5 million for the same quarter last year. Our overall average sales prices increased by 17 percent, primarily as a result of increases in the prices of caustic soda

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of 123 percent, vinyl resins of 7 percent and vinyl compounds of 12 percent. The vinyl resins and compounds price increases reflect higher prices for the feedstocks ethylene and chlorine. Our overall chlorovinyls sales volumes were down 7 percent from the third quarter of 2004 as a result of lower spot export sales during the third quarter of 2005.

Aromatics segment net sales were $137.0 million for the quarter ended September 30, 2005, a decrease of 43 percent compared to $239.9 million for the third quarter of 2004. This decrease was primarily due to a decrease in our overall aromatics sales volumes of 33 percent as a result of cumene, phenol and acetone sales volume decreases of 29 percent, 48 percent and 25 percent, respectively. These decreases were due primarily to a 68 percent decrease in our phenol export sales volume from the same quarter last year as a result of increased Asian phenol capacity during 2005 and a 40 percent decrease in our cumene domestic sales volume as a result of lower spot sales, which we had a higher level of during the third quarter of last year due to a competitor s unscheduled cumene plant outage. The North American cumene, phenol and acetone industry operating rates were all in the low eighty percentiles for the third quarter of 2005, or down about 11 percent from the same quarter in 2004. Our overall average selling price decreased as a result of decreases in the prices of cumene of 12 percent, phenol of 11 percent and acetone of 8 percent. These sales price decreases reflect lower prices for the feedstock benzene.

Gross Margin. Total gross margin decreased from 13 percent of sales for the three months ended September 30, 2004, to 11 percent of sales for the three months ended September 30, 2005. This $15.7 million decrease was due to lower sales and production volumes and higher raw materials and energy costs outpacing higher sales prices. Some of our primary raw materials and natural gas costs in both segments normally track crude oil and natural gas industry prices, which experienced increases of 43 percent and 44 percent, respectively, from the third quarter of 2004 to the third quarter of 2005.

Chlorovinyls segment gross margin increased from 13 percent of sales for the three months ended September 30, 2004, to 16 percent of sales for the three months ended September 30, 2005. This $13.6 million increase primarily reflects increases in the sales prices of all our chlorovinyls products outpacing increases in raw materials prices and lower overall sales and production volumes. Our overall raw materials and natural gas prices increased 34 percent compared to the third quarter of 2004.

Aromatics segment gross margin decreased from 12 percent of sales for the three months ended September 30, 2004, to about zero percent of sales for the three months ended September 30, 2005. This $29.4 million decrease from the same three months last year is due primarily to lower sales prices and volumes in all products and higher propylene and energy prices outpacing lower benzene prices. Our aromatics operating rate decreased from about 98 percent for the third quarter of 2004 to about 52 percent for the same period in 2005 due primarily to increased Asian phenol capacity during 2005 and lower spot sales, which we had a higher level of during the third quarter of last year due to a competitor s unscheduled cumene plant outage.

Impact from Hurricanes Katrina and Rita on Third Quarter. The devastating hurricanes experienced by the U.S. gulf coast region in the last weeks of August and September of 2005 resulted in the disruption of our operations and minor property damage at our Louisiana, Mississippi and Texas facilities. Certain of our manufacturing plants were shut down in an orderly manner just prior to the hurricanes and were down or running at reduced rates for about 12 to 15 days during the third quarter of 2005 as a result of the hurricanes. The financial impact of these events resulted in charges of approximately $13.0 million in the third quarter of 2005 involving repairs and maintenance costs, unabsorbed fixed costs and lost sales resulting from the hurricanes. In addition based on current projections of costs related to the hurricanes, we believe it is unlikely that we will be able to recover material amounts through commercial insurance policies.

Selling, General and Administrative Expenses. Selling, general and administrative expenses totaled $16.9 million for the three months ended September 30, 2005, a decrease of $0.3 million from $17.2 million for the three months ended September 30, 2004. The decrease was primarily due to a decline in profit share incentive of $1.4 million and the reduction in executive retirement bonus of $1.8 million related to the transfer of insurance cash surrender values to, and the related tax withholdings for, executives as part of the termination of our split dollar life insurance plan in the third quarter of 2004. The decreases in selling, general and administrative expenses were substantially offset by an increase in bad debt expense of $1.4 million, an increase in legal and professional fees of $0.4 million and an increase in the discount on sale of an interest in our trade receivables of $0.7 million due to more receivables being sold in the three months ended September 30, 2005, as compared to the same period in 2004. Chlorovinyls and aromatics segment selling, general and administrative expenses remained relatively flat compared to the same period last year.

Net Interest Expense. Net interest expense decreased to $5.1 million for the three months ended September 30, 2005, from $5.7 million for the three months ended September 30, 2004. This decrease was attributable to lower overall debt balances during the third quarter of 2005.

Provision for Income Taxes. The provision for income taxes was $10.3 million for the three months ended September 30, 2005, compared with $19.8 million for the three months ended September 30, 2004. The decrease in income taxes primarily resulted from a $14.9 million decrease in pre-tax income. In addition, our overall effective income tax rate decreased from 37 percent during the third quarter of last year to 27 percent for the same period in 2005 due to the estimated tax deductions created by the American Jobs Creation Act of 2004, the favorable impact from changes to the income apportionment rules of various states and the benefits of certain tax credits.

Nine Months Ended September 30, 2005, Compared With Nine Months Ended September 30, 2004

Net Sales. For the nine months ended September 30, 2005, net sales were $1.8 billion, an increase of 9 percent compared to $1.6 billion for the same period last year as a result of a 24 percent increase in sales prices. Overall average sales prices increased by 28 percent in the chlorovinyls segment and 14 percent in the aromatics segment. Significantly increased feedstock costs enabled us to increase our sales prices. Our overall sales volume decrease of 12 percent from the same period last year is mainly attributable to lower spot export sales during the first nine months of 2005, increased Asian phenol capacity during 2005, and we experienced planned and unplanned outages in our chloralkali plant during the second and third quarters of 2005.

Chlorovinyls segment net sales totaled $1.2 billion for the nine months ended September 30, 2005, an increase of 8 percent compared with net sales of $1.1 billion for the same period last year. Our overall average sales prices increased by 28 percent, primarily as a result of increases in the prices of vinyl resins of 17 percent, vinyl compounds of 15 percent and caustic soda of 148 percent. These vinyl resin and compound price increases reflect higher prices for the feedstocks ethylene and chlorine for the first nine months of 2005. Our overall chlorovinyls sales volumes were down 15 percent from the first nine months of 2004 as a result of lower spot export sales during the first nine months of 2005, planned and unplanned outages in our chloralkali plant during the second quarter of 2005 and the hurricane-related outages during the third quarter of 2005.

Aromatics segment net sales were $587.3 million for the nine months ended September 30, 2005, an increase of 9 percent compared to $538.7 million for the first nine months of 2004. This increase was primarily the result of increases in the price of cumene of 20 percent, phenol of 19 percent and acetone of 20 percent. These price increases reflect higher prices for the feedstocks benzene and propylene. The 5 percent lower sales volume was primarily a result of a 43 percent decrease in phenol export sales volume due to the increased Asian phenol capacity during 2005 more than offsetting our domestic phenol sales volume increase of 13 percent. The North American phenol industry operating rate was only about 86 percent for first nine months of 2005, or down about 6 percent from the same period in 2004.

Gross Margin. Total gross margin decreased from 12 percent of sales for the nine months ended September 30, 2004, to 10 percent of sales for the nine months ended September 30, 2005. This $16.8 million decrease was due to higher raw materials costs and lower sales and production volumes outpacing higher sales prices. Some of our primary raw materials and natural gas costs in both segments normally track crude oil and natural gas industry prices, which experienced increases of 41 percent and 22 percent, respectively, from the first nine months of 2004 to the first nine months of 2005.

Chlorovinyls segment gross margin increased from 14 percent of sales for the nine months ended September 30, 2004, to 15 percent of sales for the nine months ended September 30, 2005. This $16.7 million increase primarily reflects increases in sales prices for all of our chlorovinyls products more than offsetting increases in our raw materials prices and lower sales and production volumes for all of our chlorovinyls products. Our overall raw materials and natural gas prices increased 25 percent compared to the first nine months of 2004. Our chlorovinyls operating rate decreased from about 97 percent for the first nine months of 2004 to about 83 percent for the same period in 2005 primarily from planned and unplanned outages in our chloralkali plant during the second quarter of 2005 and the hurricane-related outages during the third quarter of 2005.

Aromatics segment gross margin decreased from 8 percent of sales for the nine months ended September 30, 2004, to 1 percent of sales for the nine months ended September 30, 2005. This $33.5 million decrease from the same nine months last year is due primarily to the overall raw materials and energy price increase of 24 percent, lower spot cumene sales, which we had higher levels of in the prior year due to a competitor s plant outage, and lower sales and production volumes outpacing higher sales prices in 2005.

Selling, General and Administrative Expenses. Selling, general and administrative expenses totaled $47.4 million for the nine months ended September 30, 2005, an increase of $1.5 million from $45.9 million for the nine months ended September 30, 2004. The increase was primarily due to an increase in bad debt expense of $1.3 million, an increase in legal and professional fees of $1.8 million and an increase in the discount on sale of an interest in our trade receivables of $2.4 million due to more receivables being sold in the nine months ended September 30, 2005, as compared to the same period in 2004. The increases in selling, general and administrative expenses were offset by a decline in profit share incentive of $1.3 million and the reduction in executive retirement bonus of $2.3 million related to the transfer of insurance cash surrender values to, and the related tax withholdings for, executives as part of the termination of our split dollar life insurance plan in the third quarter of 2004. Chlorovinyls and aromatics segment selling, general and administrative expenses remained relatively flat compared to the same period last year.

Net Interest Expense. Net interest expense decreased to $16.0 million for the nine months ended September 30, 2005, from $18.2 million for the nine months ended September 30, 2004. This decrease of $2.2 million was attributable to lower overall debt balances during the first nine months of 2005.

Provision for Income Taxes. The provision for income taxes was $37.6 million for the nine months ended September 30, 2005, compared with $48.6 million for the nine months ended September 30, 2004. The decrease of $11.0 million in income taxes resulted from a $16.0 million decrease in pre-tax income and a 4.4 percent decrease in the effective tax rate when comparing periods. The decrease in the effective tax rate is due to the estimated tax deductions created by the American Jobs Creation Act of 2004, the favorable impact from changes to the income apportionment rules of various states and the benefits of certain tax credits.

Liquidity and Capital Resources

Operating Activities. For the nine months ended September 30, 2005, we generated $51.9 million of cash flow from operating activities as compared to generating $118.3 million during the nine months ended September 30, 2004. The decrease in cash flow from operations of $66.5 million from the first nine months of 2004 to the first nine months of 2005 is due primarily to the following: a $79.0 million advance payment for a long-term raw materials supply contract in 2005, a reduction of $39.0 million in the interest sold in our trade receivables in 2005 as a result of a decrease in eligible receivables under our securitization program and a $33.9 million decrease in accounts payable in 2005. This decrease in cash flow from operations was offset partially by a $50.3 million decrease in receivables in 2005 and a $22.6 million decrease in inventories in 2005. The major sources of cash flow for the first nine months of 2005 were net income of $76.8 million, a $50.3 million decrease in receivables, and a non-cash provision of $47.2 million for depreciation and amortization. Total working capital at September 30, 2005, was a surplus of $45.6 million versus a deficit of $69.4 million at December 31, 2004. Significant changes in working capital for the first nine months of 2005 included decreases in trade receivables, accounts payable and inventories. The trade receivables decrease was due to a decline in sales prices. The accounts payable and inventory decreases resulted from lower production volumes during September 2005 due to hurricane-related disruption of manufacturing operations.

Investing Activities. Net cash used in investing activities was $19.0 million for the nine months ended September 30, 2005, as compared to $15.7 million for the same period last year and is related primarily to investment in machinery and equipment.

Financing Activities. Cash used by financing activities was $44.9 million for the nine months ended September 30, 2005, as compared to $102.4 million for the nine months ended September 30, 2004. The change during the first nine months of 2005 compared to the same period in 2004 was primarily due to reducing total debt by $37.8 million in 2005 and $110.5 million in 2004. Of the debt reduction in 2004, $75.5 million was funded from cash provided by operations and $35.0 million from selling an additional interest in our trade receivables. Proceeds from the issuance of common stock decreased $13.9 million from the first nine months of 2004 to the same period in 2005.

As of September 30, 2005, our balance sheet debt consisted of a $52.1 million senior secured revolving credit facility, which matures on November 21, 2009; $100.0 million principal amount of 7.625 percent senior secured notes, which are due November 15, 2005; $100.0 million principal amount of 7.125 percent senior unsecured notes, which are due December 15, 2013; and $28.6 million in other debt. At September 30, 2005, under our revolving credit facility we had a maximum borrowing capacity of $170.0 million, and our unused revolving credit facility totaled $110.1 million, net of outstanding letters of credit for $7.8 million and current borrowings of $52.1 million. Over the next twelve months, assuming adequate cash flows, we expect to pay off the borrowings under our revolving credit facility of $52.1 million, and therefore, we have classified this debt as current. On October 17, 2005, we entered into Amendment No. 1 to the credit agreement (the Amendment), which increased the available borrowings under our revolving credit facility from $170.0 million to $240.0 million and expires in November 2009. We expect to refinance the $100.0 million 7.625 percent notes due in November of 2005 with proceeds from the amended revolving credit facility. This amount will remain outstanding over the next twelve months and therefore, has been classified as long-term in the accompanying balance sheet as of September 30, 2005.

We conduct our business operations through our wholly owned subsidiaries, as reflected in the consolidated financial statements. As we are essentially a holding company, we must rely on distributions, loans and other intercompany cash flows from our wholly owned subsidiaries to generate the funds necessary to satisfy the repayment of our existing debt. Provisions in the senior credit facility and the indenture related to the 7.125 percent notes limit payments of dividends, distributions, loans or advances to us by our subsidiaries.

During the first nine months of 2005 and 2004, we paid quarterly dividends of $0.08 per share, or $8.2 million and $7.9 million, respectively.

Off-Balance Sheet Arrangement. We have an agreement pursuant to which we sell an undivided percentage ownership interest in a defined pool of our trade receivables on a revolving basis through a wholly owned subsidiary to a third party (the Securitization). As collections reduce accounts receivable included in the pool, we sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of $165.0 million, as permitted by the Securitization. The balance in the interest of receivables sold at September 30, 2005, and December 31, 2004, was $126.0 million and $165.0 million, respectively. On October 20, 2005, we increased the interest in our trade receivables sold to $145.0 million due to the increased eligible trade receivables balance on September 30, 2005. We used the $19.0 million in proceeds to pay down our revolving credit facility.

Continued availability of the Securitization is conditioned upon compliance with covenants related primarily to operation of the Securitization, as set forth in the related agreements. As of September 30, 2005, we were in compliance with all such covenants. If the Securitization agreement is terminated, we would not be required to repurchase previously sold receivables, but would be prevented from selling additional receivables to the third party. In the event the Securitization agreement is terminated, we would have to source these funding requirements with cash flows from operations, availability under our senior credit facility or obtain alternative financing.

Contractual Obligations. Our aggregate future cash payments under contractual obligations by category at September 30, 2005 were as follows:

In millions	**Total**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010 and thereafter**
Contractual obligations:							
Long-term debt obligations(1)	$ 375	$ 112	$ 15	$ 11	$ 11	$ 79	$ 147
Operating lease obligations(2)	77	5	17	15	12	10	18
Purchase obligations(3)	4,868	214	764	756	624	619	1,891
Asset Retirement Obligations(4)	11						11
Other	1	1					
Total	$ 5,332	$ 332	$ 796	$ 782	$ 647	$ 708	$ 2,067

(1) Includes principal and interest payments based upon our interest rates as of September 30, 2005. Long-term debt obligations are listed based on when they are contractually due. Therefore, the $52.1 million balance on our revolving credit facility is included in 2009.

(2) We did not have any capital lease obligations as of September 30, 2005.

(3) Amounts are based upon contractual raw materials volumes and market rates as of September 30, 2005.

(4) We have certain obligations associated with the cost to dispose of hazardous waste contingent upon the closing of our manufacturing facilities.

Long-Term Debt. Under our senior credit facility and the indenture related to the 7.125 percent notes, we are subject to certain restrictive covenants, the most significant of which require us to maintain certain financial ratios. Our ability to meet these covenants, satisfy our debt obligations and to pay principal and interest on our debt, fund working capital, and make anticipated capital expenditures will depend on our future performance, which is subject to general macroeconomic conditions and other factors, some of which are beyond our control. Management believes that based on current and projected levels of operations and conditions in our markets, cash flow from operations, together with our cash and cash equivalents of $9.0 million, the availability to borrow an additional $110.1 million under the revolving credit facility, at September 30, 2005, and the additional capacity added October 17, 2005, of $70.0 million to our revolving credit facility, will be adequate for the foreseeable future to make required payments of principal and interest on our debt, meet certain restrictive covenants which require us to maintain certain financial ratios, and fund our working capital and capital expenditure requirements. However, if our expectations regarding our business prove incorrect, we may not be able to meet certain restrictive covenants and maintain compliance with certain financial ratios. In that event, we would attempt to obtain waivers or covenant relief from our lenders. Although we have successfully negotiated covenant relief in the past, there can be no assurance we can do so in the future. As of and for the quarter ended September 30, 2005, we are in compliance with all such covenants.

Operating Leases. We lease railcars, storage terminals, computer equipment, automobiles and warehouse and office space under non-cancelable operating leases with varying maturities through the year 2014.

Purchase Obligations. Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms. We have certain long-term raw material supply contracts and energy purchase agreements with various terms extending through 2014. These commitments are designed to assure sources of supply for our normal requirements.

Asset Retirement Obligations. Upon acquiring assets that require mandatory settlements upon retirement (i.e. removal of hazardous waste), despite uncertainty as to when such assets will be retired, we have estimated the asset retirement obligations, capitalized the present value of such obligations based on a credit-adjusted risk-free rate, booked an equivalent liability, and depreciated the asset and accreted the liability over the estimable life of the obligation.

Outlook

Impact of Hurricane Rita on the Fourth Quarter. The devastating hurricane experienced in the U.S. gulf coast region at the end of the third quarter of 2005 disrupted operations at our Louisiana, Mississippi and Texas facilities continuing into the fourth quarter of 2005 as certain manufacturing plants were down or running at reduced rates for about 18 days in the fourth quarter. As of October 19, 2005, plants have returned to near normal operations. The estimated financial impact of these events will result in charges of approximately $12.0 million in the fourth quarter of 2005 involving repairs and maintenance costs, unabsorbed fixed costs and lost sales resulting from the hurricane.

The fourth quarter typically reflects a seasonal decrease in demand for all of our products from the third quarter. This seasonal slowdown is due to construction activity decreasing as a result of colder weather, plant shut downs due to the holidays and customers reducing inventories. However, the hurricane-related disruption of the chemical industry s operations along the U.S. gulf coast at the end of the third quarter of 2005 created supply constraints and low inventories throughout the chain, which have carried over into the fourth quarter.

Forward-Looking Statements

This Form 10-Q and other communications to stockholders may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to, among other things, our outlook for future periods, supply and demand, pricing trends and market forces within the chemical industry, cost reduction strategies and their results, planned capital expenditures, long-term objectives of management and other statements of expectations concerning matters that are not historical facts. Predictions of future results contain a measure of uncertainty and, accordingly, actual results could differ materially due to various factors. Factors that could change forward-looking statements are, among others:

- changes in the general economy;
- changes in demand for our products or increases in overall industry capacity that could affect production volumes and/or pricing;

- changes and/or seasonality and cyclicality in the industries to which our products are sold;
- availability and pricing of raw materials;
- technological changes affecting production;
- difficulty in plant operations and product transportation;
- governmental and environmental regulations; and
- other unforeseen circumstances.

A number of these factors are discussed in this Form 10-Q and in our other periodic filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2004, and our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2005 and March 31, 2005.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of certain market risks related to Georgia Gulf, see Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended December 31, 2004. There have been no significant developments with respect to our exposure to market risk.

Item 4. CONTROLS AND PROCEDURES

We carried out an evaluation, under the supervision and with the participation of our management, including the company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the company s disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). Based on that evaluation, the company s Chief Executive Officer and Chief Financial Officer have concluded that the company s disclosure controls and procedures were effective as of September 30, 2005, to ensure that information required to be disclosed by the company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There were no changes in the company s internal control over financial reporting during the company s fiscal quarter ended September 30, 2005, that have materially affected, or are reasonably likely to materially affect, the company s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We are involved in certain legal proceedings that are described in our 2004 Annual Report on Form 10-K and in our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2005 and March 31, 2005. During the three months ended September 30, 2005, there were no material developments in the status of these proceedings.

In addition, we are subject to other claims and legal actions that may arise in the ordinary course of business. We believe that the ultimate liability, if any, with respect to these other claims and legal actions will not have a material effect on our financial position or on our results of operations.

Item 6. EXHIBITS

Exhibits

31	Rule 13a-14(a)/15d-14(a) Certifications.
32	Section 1350 Certifications.

SIGNATURES

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

GEORGIA GULF CORPORATION
(Registrant)

Date: November 3, 2005

/s/ EDWARD A. SCHMITT
Edward A. Schmitt
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 3, 2005

/s/ JAMES T. MATTHEWS
James T. Matthews
Vice President Finance, Treasurer and Chief Financial Officer (Principal Financial Officer)

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