GEORGIA GULF CORP /DE/
Form 10-Q
November 08, 2012

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GEORGIA GULF CORPORATION FORM 10-Q QUARTERLY PERIOD ENDED September 30, 2012 INDEX

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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 ý No o

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 (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

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

(Check one):

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

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 5, 2012**
Common Stock, $0.01 par value	34,538,268

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QUARTERLY PERIOD ENDED September 30, 2012
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PART I. FINANCIAL INFORMATION.

Item 1. FINANCIAL STATEMENTS.

GEORGIA GULF CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share data)	September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 118,469	$ 88,575
Receivables, net of allowance for doubtful accounts of $4,066 at 2012 and $4,225 at 2011	389,018	256,749
Inventories	297,544	287,554
Prepaid expenses and other	11,092	15,750
Deferred income taxes	17,367	14,989
Total current assets	833,490	663,617
Property, plant and equipment, net	636,832	640,900
Goodwill	218,676	213,608
Intangible assets, net	44,292	46,715
Deferred income taxes	4,145	3,770
Other assets, net	63,596	75,601
Total assets	$ 1,801,031	$ 1,644,211
Liabilities and Stockholders' Equity		
Current portion of long-term debt	$ 49,841	$
Accounts payable	213,433	168,187
Interest payable	9,650	20,931
Income taxes payable	14,832	1,202
Accrued compensation	33,749	19,743
Other accrued liabilities	64,356	68,825
Total current liabilities	385,861	278,888
Long-term debt	447,930	497,464
Lease financing obligation	113,773	109,899
Liability for unrecognized income tax benefits	18,755	23,711
Deferred income taxes	184,280	181,465
Other non-current liabilities	65,332	64,120
Total liabilities	1,215,931	1,155,547
Commitments and contingencies		
Stockholders' equity:		
Preferred stock $0.01 par value; 75,000,000 shares authorized; no shares issued		
Common stock $0.01 par value; 100,000,000 shares authorized; issued and outstanding: 34,538,268 at 2012 and 34,236,402 at 2011	345	342
Additional paid-in capital	486,384	480,530
Accumulated other comprehensive loss, net of tax	(10,183)	(18,151)
Retained earnings	108,554	25,943

Total stockholders' equity		**585,100**		488,664
Total liabilities and stockholders' equity	**$**	**1,801,031**	$	1,644,211

See accompanying notes to unaudited condensed consolidated financial statements.

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share data)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net sales	**$ 813,502**	$ 929,636	**$ 2,541,144**	$ 2,549,284
Operating costs and expenses:				
Cost of sales	**673,178**	831,808	**2,210,515**	2,292,761
Selling, general and administrative expenses	**53,476**	43,412	**152,932**	130,080
Gain on sale of assets	**(1,864)**		**(19,250)**	(1,150)
Transaction related costs, restructuring and other, net	**14,790**	1	**26,370**	1,027
Total operating costs and expenses	**739,580**	875,221	**2,370,567**	2,422,718
Operating income	**73,922**	54,415	**170,577**	126,566
Interest expense, net	**(14,638)**	(16,703)	**(43,574)**	(50,092)
Loss on early redemption of debt				(1,100)
Foreign exchange (loss) gain	**(192)**	160	**(594)**	(780)
Income before income taxes	**59,092**	37,872	**126,409**	74,594
Provision for income taxes	**19,756**	3,514	**38,141**	13,521
Net income	**$ 39,336**	$ 34,358	**$ 88,268**	$ 61,073
Earnings per share:				
Basic	**$ 1.13**	$ 0.99	**$ 2.54**	$ 1.75
Diluted	**$ 1.12**	$ 0.99	**$ 2.53**	$ 1.75
Dividends declared per share of common stock	**$ 0.08**	$	**$ 0.16**	$
Weighted average common shares:				
Basic	**34,549**	34,165	**34,413**	34,036
Diluted	**34,882**	34,211	**34,641**	34,065

See accompanying notes to unaudited condensed consolidated financial statements.

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2012**	**2011**	**2012**	**2011**
Comprehensive income	**$ 47,314**	$ 21,314	**$ 96,236**	$ 53,369

See accompanying notes to unaudited condensed consolidated financial statements.

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands except per share data)	**Nine Months Ended September 30, 2012**	**2011**
Cash flows from operating activities:		
Net income	**$ 88,268**	$ 61,073
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**67,963**	78,305
Loss on early redemption of debt		1,100
Foreign exchange (gain) loss	**(533)**	724
Deferred income taxes	**(3,013)**	4,686
Excess tax benefits from share-based payment arrangements	**(3,301)**	(3,555)
Share-based compensation	**7,669**	5,486
Gain on sale of assets	**(19,250)**	(1,150)
Other non-cash items	**3,745**	(1,328)
Change in operating assets, liabilities and other	**(75,844)**	(125,136)
Net cash provided by operating activities	**65,704**	20,205
Cash flows from investing activities:		
Capital expenditures	**(55,819)**	(44,247)
Proceeds from sale of property, plant and equipment	**23,579**	326
Acquisition, net of cash acquired		(71,371)
Net cash used in investing activities	**(32,240)**	(115,292)
Cash flows from financing activities:		
Repayments on asset based lending revolver	**(183,400)**	(415,567)
Borrowings on asset based lending revolver	**183,400**	452,505
Repayment of long-term debt		(22,917)
Fees paid related to financing activities	**(625)**	(1,480)
Excess tax benefits from share-based payment arrangements	**3,301**	3,555
Stock compensation plan activity	**(5,096)**	39
Dividends paid ($0.08 per share)	**(2,778)**	
Net cash (used in) provided by financing activities	**(5,198)**	16,135
Effect of exchange rate changes on cash and cash equivalents	**1,628**	1,504
Net change in cash and cash equivalents	**29,894**	(77,448)
Cash and cash equivalents at beginning of period	**88,575**	122,758
Cash and cash equivalents at end of period	**$ 118,469**	$ 45,310

See accompanying notes to unaudited condensed consolidated financial statements.

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 ("GAAP") 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 GAAP for complete financial statements. The accompanying unaudited condensed consolidated financial statements reflect all of 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 financial condition as of, and our operating results for the three month and nine month periods ended, September 30, 2012 are not necessarily indicative of the financial condition and results that may be expected for the full year ending December 31, 2012 or any other interim period.

On February 9, 2011, we acquired Exterior Portfolio by Crane ("Exterior Portfolio"), a leading U.S. manufacturer and marketer of siding products, for a final net purchase price of $71.4 million. The allocation of the net purchase price and results of Exterior Portfolio's operations are reflected in our condensed consolidated financial statements since that date. The purchase price allocation was finalized in the three months ended March 31, 2012.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011 (the "2011 Annual Report"). There has been no material change in the significant accounting policies followed by us during the three and nine month periods ended September 30, 2012 from those disclosed in the 2011 Annual Report. Unless the context otherwise requires references to "Georgia Gulf," the "Company," "we," "our" or "us," means Georgia Gulf Corporation and its consolidated subsidiaries.

2. NEW ACCOUNTING PRONOUNCEMENTS

In June 2011, the Financial Accounting Standards Board, ("FASB") issued Accounting Standards Update, ("ASU") 2011-05, which amends Accounting Standards Codification, ("ASC") Topic 220, *Comprehensive Income.* This amendment gives entities the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Entities are no longer allowed to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. This amendment also required the entity to present on the face of its financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income; however, in December 2011, the FASB issued ASU 2011-12 which deferred this requirement. During the deferral period, companies are required to report reclassifications out of accumulated other comprehensive income either on the face of the financial statements or in the notes to the financial statements. Also during this deferral period, companies will not be required to separately present or disclose the reclassification adjustments in net income. The FASB plans to re-evaluate this requirement, and is expected to reach a final decision during 2012. All other requirements in ASU 2011-05 are not affected by ASU 2011-12. Early adoption of ASU 2011-05 is permitted. We early adopted this standard in 2011. During March 2012, the FASB issued guidance on Changes in Reporting Comprehensive Income which provides the option of presenting a total for comprehensive income in a single continuous statement or two consecutive statements for interim

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

periods without requiring the components of other comprehensive income as part of this statement. Consequently, we have elected to present a total for comprehensive income in a separate statement of comprehensive income for interim periods.

In September 2011, the FASB issued ASU 2011-08 which amends ASC Topic 350, *Intangibles Goodwill and Other*. The amendments in this ASU give companies the option to first perform a qualitative assessment to determine whether it is more likely than not (a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If a company concludes that this is the case, it must perform the two-step goodwill impairment test. Otherwise, a company is not required to perform this two-step test. Under the amendments in this ASU, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. Implementation of this standard is required for fiscal years beginning after December 15, 2011. Our annual measurement date is October 1. We are currently evaluating the newly prescribed evaluation process. In July 2012, the FASB issued ASU 2012-02, which also amends ASC Topic 350. The amendments in this ASU are the same as outlined for ASU 2011-08 but apply to indefinite lived intangible assets. Implementation of this standard is required for fiscal years beginning after September 15, 2012. Our annual measurement date is October 1. We are currently evaluating the newly prescribed evaluation process.

In December 2011, the FASB issued ASU 2011-11, which amends ASC Topic 210, *Balance Sheet*. The objective of this amendment is to provide enhanced disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities within the scope of this update. The amendment requires enhanced disclosures by requiring improved information about financial instruments and derivative instruments that are either (1) offset in accordance with ASC 210 or ASC 815 or (2) subject to an enforceable master netting arrangement or similar agreement. Implementation of this standard is required for fiscal years beginning on or after January 1, 2013. We are currently evaluating the amendment, but do not expect it will have a material impact on our consolidated financial statements.

3. RESTRUCTURING ACTIVITIES

In December 2011, we initiated a restructuring plan (the "Fourth Quarter 2011 Restructuring Plan") that consisted of (i) the shutdown of a plant in Milford, Indiana; (ii) discontinuing the fence product line; and (iii) the consolidation of three manufacturing plants, two in the window and door profiles business and one in the pipe business. In connection with the Fourth Quarter 2011 Restructuring Plan, we incurred costs related to termination benefits, including severance, operating lease termination costs, asset impairment charges, relocation, and other exit costs. For the three and nine months ended September 30, 2012, severance and other exit costs were $0.4 million and $0.6 million respectively.

In May 2011, in conjunction with our integration strategy for Exterior Portfolio, we simplified some redundant selling, general and administrative functions. As part of this initiative, the company completed a restructuring and consolidation plan within the siding business to optimize the organizational structure, which resulted in nil and $0.4 million of restructuring costs being incurred for the three and nine months ended September 30, 2011, respectively, which are included in the table

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. RESTRUCTURING ACTIVITIES (Continued)

below in Other. We do not expect any further costs associated with the integration of the Exterior Portfolio acquisition into our operations.

In the fourth quarter of 2008, we initiated a restructuring plan (the "Fourth Quarter 2008 Restructuring Plan") that included the permanent shut down of our 450 million pound polyvinyl chloride ("PVC") manufacturing facility in Sarnia, Ontario, the exit of a recycled PVC compound manufacturing facility in Woodbridge, Ontario, the consolidation of various manufacturing facilities, and elimination of certain duplicative activities in our operations. In connection with the Fourth Quarter 2008 Restructuring Plan, we incurred costs related to termination benefits, including severance, pension and postretirement benefits, operating lease termination costs, asset impairment charges, relocation and other exit costs and have recognized these costs in accordance with ASC subtopic 420-10 *Exit or Disposal Cost Obligations,* and related accounting standards. For the three months and nine months ended September 30, 2011, we incurred and paid nil and $0.6 million, respectively, related to the settlement of pension and postretirement benefits from our permanently shut down PVC manufacturing facility in Sarnia. During the three months ended September 30, 2012, we incurred a net recovery related to the sale of the land from the previous shut down of a PVC manufacturing facility in Oklahoma. During the nine months ended September 30, 2011, we incurred a net recovery related to the sale of manufacturing equipment from the facility in Oklahoma. The net recoveries are included in the tables below as income in the additions column and included in the condensed consolidated statements of income in transaction related costs, restructuring and other, net and gain on sale of assets in the respective periods. We do not expect there to be any further future costs associated with the Fourth Quarter 2008 Restructuring Plan.

A summary of our restructuring activities by reportable segment for the three and nine months ended September 30, 2012 and 2011 is as follows:

(In thousands)	Balance at June 30, 2012	Additions	Cash (Payments) Receipts	Foreign Exchange and Other Adjustments	Balance at September 30, 2012
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**$ 69**	$ (41)	$ (29)	$ 1	**$**
Exit costs		(564)	1,864		**1,300**
Building Products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**676**			28	**704**
Fourth Quarter 2011 Restructuring Plan:					
Involuntary termination benefits	**1,389**	448	(620)	38	**1,255**
Other:					
Involuntary termination benefits	**135**		(22)	5	**118**
Corporate					
Other:					
Involuntary termination benefits	**320**		(84)	4	**240**
Total	$ **2,589**	$ **(157)**	$ **1,109**	$ **76**	$ **3,617**

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. RESTRUCTURING ACTIVITIES (Continued)

(In thousands)	**Balance at December 31, 2011**	**Additions**	**Cash (Payments) Receipts**	**Foreign Exchange and Other Adjustments**	**Balance at September 30, 2012**
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**$ 69**	$ (41)	$ (29)	$ 1	**$**
Exit costs		(564)	1,864		**1,300**
Building Products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**898**		(220)	26	**704**
Fourth Quarter 2011 Restructuring Plan:					
Involuntary termination benefits	**2,061**	558	(1,398)	34	**1,255**
Other:					
Involuntary termination benefits	**221**	4	(101)	(6)	**118**
Corporate					
Other:					
Involuntary termination benefits	**154**		(188)	274	**240**
Total	**$ 3,403**	**$ (43)**	**$ (72)**	**$ 329**	**$ 3,617**

(In thousands)	**Balance at June 30, 2011**	**Additions**	**Cash (Payments) Receipts**	**Foreign Exchange and Other Adjustments**	**Balance at September 30, 2011**
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**$ 73**	$	$	$ (5)	**$ 68**
Exit costs	**251**		120	(10)	**361**
Building Products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**947**		3	(72)	**878**
Other:					
Involuntary termination benefits	**434**	1	(163)	(12)	**260**
Corporate					
Other:					
Involuntary termination benefits	**162**			(12)	**150**
Total	**$ 1,867**	$ 1	$ (40)	$ (111)	**$ 1,717**

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. RESTRUCTURING ACTIVITIES (Continued)

(In thousands)	Balance at December 31, 2010	Additions	Cash (Payments) Receipts	Foreign Exchange and Other Adjustments	Balance at September 30, 2011
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**$ 108**	$ 634	$ (806)	$ 132	**$ 68**
Exit costs	**130**	(1,149)	236	1,144	**361**
Building Products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**1,168**	(53)	(191)	(46)	**878**
Other:					
Involuntary termination benefits	**86**	445	(260)	(11)	**260**
Corporate					
Other:					
Involuntary termination benefits	**156**			(6)	**150**
Total	**$ 1,648**	$ (123)	$ (1,021)	$ 1,213	**$ 1,717**

For the three and nine months ended September 30, 2012, there was a nil and $0.8 million net gain on the sale of tangible assets. The gain was due to the value at which equipment from our Milford, Indiana facility was sold exceeding our initial fair value assessment in connection with our restructuring activities as a result of the Fourth Quarter 2011 Restructuring Plan. This gain is included in transaction related costs, restructuring expense and other, net, in the condensed consolidated statement of income for the nine months ended September 30, 2012. There were no impairment charges of tangible long-lived assets for the three and nine months ended September 30, 2011.

4. INVENTORIES

The major classes of inventories were as follows:

(In thousands)	September 30, 2012	December 31, 2011
Raw materials	**$ 122,471**	$ 113,813
Work-in-progress and supplies	**7,356**	6,633
Finished goods	**167,717**	167,108
Inventories	**$ 297,544**	$ 287,554

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

(In thousands)	September 30, 2012	December 31, 2011
Machinery and equipment	**$ 1,475,378**	$ 1,425,297
Land and land improvements	**91,191**	89,364
Buildings	**205,177**	203,621
Construction-in-progress	**34,568**	38,975
Property, plant and equipment, at cost	**1,806,314**	1,757,257
Accumulated depreciation	**1,169,482**	1,116,357
Property, plant and equipment, net	**$ 636,832**	$ 640,900

6. OTHER ASSETS, NET

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

(In thousands)	September 30, 2012	December 31, 2011
Advances for long-term purchase contracts	**$ 22,343**	$ 31,154
Investment in joint ventures	**6,337**	6,419
Deferred financing costs, net	**16,748**	18,740
Long-term assets held for sale	**13,949**	14,750
Other	**4,219**	4,538
Total other assets, net	**$ 63,596**	$ 75,601

The decrease in advances for long-term purchase contracts is the result of amortizing the prepayments over the terms of the related contracts. Assets held for sale include real estate properties in the U.S. In January 2012, we sold our on-site air separation unit at our Plaquemine, Louisiana facility for $18.0 million, resulting in a gain of $17.4 million that is included in gain on sale of assets in the condensed consolidated statement of income for the nine months ended September 30, 2012. This air separation unit was included in assets held for sale, in the amount of $0.6 million, as of December 31, 2011. Concurrent with the sale, we entered into a long-term supply agreement with the purchaser to supply the Plaquemine facility with the products made by the air separation unit at market prices.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

In February 2011, we acquired Exterior Portfolio, which is part of our building products segment. The purchase price was allocated to the assets acquired and liabilities assumed based upon the estimated fair value at the date of the acquisition, including the following allocations to goodwill and other intangible assets: $25.5 million to customer relationships, $5.5 million to technology, $4.5 million to trade names, and the remaining $7.5 million was attributed to goodwill. The allocation of the purchase price was finalized in the three months ended March 31, 2012.

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

Goodwill. The following table provides the detail of goodwill at December 31, 2011 and the changes made to goodwill by reportable segment during the nine months ended September 30, 2012.

(In thousands)	Chlorovinyls	Building Products	Total
Gross goodwill at December 31, 2011	$ 242,855	$ 158,446	$ 401,301
Accumulated impairment losses at December 31, 2011	(55,487)	(132,206)	(187,693)
Net goodwill at December 31, 2011	$ 187,368	$ 26,240	$ 213,608
Gross goodwill at December 31, 2011	**$ 242,855**	**$ 158,446**	**$ 401,301**
Adjustment to preliminary allocation of purchase price for acquisition		**1,084**	**1,084**
Foreign currency translation adjustment	**3,984**		**3,984**
Gross goodwill at September 30, 2012	**246,839**	**159,530**	**406,369**
Accumulated impairment losses at September 30, 2012	**(55,487)**	**(132,206)**	**(187,693)**
Net goodwill at September 30, 2012	**$ 191,352**	**$ 27,324**	**$ 218,676**

Indefinite lived intangible assets. At September 30, 2012 and December 31, 2011 our indefinite-lived assets consisted only of trade names. The following table provides the indefinite-lived intangible assets by reporting segment as of September 30, 2012 and December 31, 2011 and the changes to indefinite-lived intangible assets during the nine months ended September 30, 2012.

(In thousands)	Chlorovinyls	Building Products	Total
Balance at December 31, 2011	$ 364	$ 8,701	$ 9,065
Foreign currency translation adjustment	**14**	**74**	**88**
Balance at September 30, 2012	**$ 378**	**$ 8,775**	**$ 9,153**

Finite-lived intangible assets. At September 30, 2012 and December 31, 2011, we also had customer relationship and technology intangible assets that relate to our building products segment,

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

which are our only finite-lived intangible assets. The following table provides the detail of finite-lived intangible assets at September 30, 2012 and December 31, 2011.

(In thousands)	**Building Products**
Gross carrying amounts at September 30, 2012:	
Customer relationships	**$ 36,922**
Technology	**17,367**
Total	**54,289**
Accumulated amortization at September 30, 2012:	
Customer relationships	**(8,236)**
Technology	**(9,230)**
Total	**(17,466)**
Foreign currency translation adjustment and other at September 30, 2012:	
Customer relationships	**(1,684)**
Technology	
Total	**(1,684)**
Net carrying amounts at September 30, 2012:	
Customer relationships	**27,002**
Technology	**8,137**
Total	**$ 35,139**

(In thousands)	**Building Products**
Gross carrying amounts at December 31, 2011:	
Customer relationships	$ 36,922
Technology	17,367
Total	54,289
Accumulated amortization at December 31, 2011:	
Customer relationships	(6,860)
Technology	(8,095)
Total	(14,955)
Foreign currency translation adjustment and other at December 31, 2011:	
Customer relationships	(1,684)
Technology	
Total	(1,684)
Net carrying amounts at December 31, 2011:	
Customer relationships	28,378
Technology	9,272
Total	$ 37,650

GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

The estimated weighted average remaining useful life for the customer relationships is approximately 15 years. Technology has an estimated weighted average remaining useful life of approximately 6 years. Amortization expense for the finite-lived intangible assets was $0.8 million for both the three months ended September 30, 2012 and September 30, 2011, respectively. For the nine months ended September 30, 2012 and September 30, 2011, the amortization expense was $2.5 million and $2.2 million, respectively. Total finite-lived intangible assets estimated annual amortization expense for the next five fiscal years is approximately $3.3 million per year.

Our reporting units within our building products segment have goodwill and other intangible asset balances of $71.2 million at September 30, 2012. In 2012, certain regions of the North American housing and construction markets have remained anemic and current industry expectations vary significantly regarding the timing and pace of recovery. In the three months ended September 30, 2012, we do not believe there was any impairment but continued weakness in certain regions of the North American housing and construction markets continues to challenge these reporting units. Further deterioration in certain regions of the North American housing and construction markets or the use of different assumptions in our evaluations could yield materially different results.

8. LONG-TERM DEBT AND LEASE FINANCING OBLIGATION

In December 2009, we refinanced part of our debt and entered into a senior secured asset-based revolving credit agreement due January 2016 (the "ABL Revolver") and issued $500.0 million in principal amount of 9.0 percent senior secured notes due 2017 (the "9.0 percent notes"). On September 30, 2012 and December 31, 2011, we had nil in outstanding principal borrowed under the ABL Revolver. At September 30, 2012 and December 31, 2011, we had outstanding letters of credit totaling $11.8 million and $15.8 million, respectively. On September 30, 2012 and December 31, 2011, we had $497.8 million and $497.5 million outstanding, net of original issuance discount, on the 9.0 percent notes.

On September 11, 2012, we delivered a notice of redemption to the holders of the 9.0 percent notes regarding the optional redemption of $50 million aggregate principal amount of the 9.0 percent notes. The optional redemption of the 9.0 percent notes was completed on October 12, 2012 for a redemption price of $51.5 million, which is equal to 103 percent of the aggregate principal amount of the 9.0 percent notes that were redeemed, plus accrued interest of approximately $1.1 million. Accordingly, we have reduced the outstanding aggregate principal amount of our 9.0 percent notes to $450.0 million as of October 12, 2012. Due to this redemption, we have classified $49.8 million, net of unamortized original issuance discount, as current portion of long term debt and $447.9 million, net of unamortized original issuance discount, as long term debt on our September 30, 2012 balance sheet.

The weighted average interest rate under the ABL Revolver was 4.8 percent and 4.3 percent as of September 30, 2012 and December 31, 2011, respectively. In addition to paying interest on outstanding principal under the ABL Revolver, we are required to pay a fee in respect of the unutilized commitments and we must also pay customary letter of credit fees.

The ABL Revolver requires that if excess availability is less than $45 million, we comply with a minimum fixed charge coverage ratio of at least 1.10 to 1.00. At September 30, 2012 and December 31, 2011 excess availability was $288.2 million and $284.2 million, respectively. In addition, the ABL Revolver includes affirmative and negative covenants that, subject to significant exceptions, limit our ability and the ability of our subsidiaries to, among other things: incur, assume or permit to exist

GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. LONG-TERM DEBT AND LEASE FINANCING OBLIGATION (Continued)

additional indebtedness or guarantees; incur liens; make investments and loans; pay dividends, make payments or redeem or repurchase capital stock; engage in mergers, acquisitions and asset sales; prepay, redeem or purchase certain indebtedness including the 9.0 percent notes; amend or otherwise alter terms of certain indebtedness, including the 9.0 percent notes; engage in certain transactions with affiliates; and alter the business that we conduct.

If at any time the aggregate amount of outstanding loans, unreimbursed letter of credit drawings and undrawn letters of credit under the ABL Revolver exceeds the lesser of (i) the commitment amount and (ii) the borrowing base, we will be required to repay outstanding loans and cash collateralize letters of credit in an aggregate amount equal to such excess, with no reduction of the commitment amount. If the amount available under the ABL Revolver is less than $60 million for a period of three consecutive business days or certain events of default have occurred, we will be required to deposit cash from our material deposit accounts (including all concentration accounts) daily in a collection account maintained with the administrative agent under the ABL Revolver, which will be used to repay outstanding loans and cash collateralize letters of credit. Borrowings under the ABL Revolver are secured by substantially all of our assets.

Interest on the 9.0 percent notes is payable January 15 and July 15 of each year. On or after January 15, 2014, we may redeem the notes in whole or in part, initially at 104.5 percent of their principal amount, and thereafter at prices declining annually to 100 percent on or after January 15, 2016. During any twelve-month period prior to January 15, 2014, we may make optional redemptions of up to 10 percent of the aggregate principal amount of the 9.0 percent notes at a redemption price of 103.0 percent of such principal amount plus any accrued and unpaid interest. In addition, prior to January 15, 2013, we may redeem up to 35 percent of the aggregate principal amount of the notes at a redemption price equal to 109.0 percent of such principal amount, plus any accrued and unpaid interest. In addition, we may redeem some or all of the notes at any time prior to January 15, 2014 at a price equal to the principal amount thereof plus a make-whole premium and any accrued and unpaid interest. The 9.0 percent notes are secured by substantially all of our assets and contain certain restrictive covenants including restrictions on debt incurrence, granting of liens, dividends, acquisitions and investments.

On April 4, 2011, we redeemed all of our 7.125 percent senior notes due 2013 and 9.5 percent senior notes due 2014 that remained outstanding for the aggregate principal amount of $22.2 million. On October 20, 2011, we redeemed all of our 10.75 percent senior subordinated notes due 2016 at $105.375 per $100 face value of such notes, for an aggregate payment of $44.1 million, including early redemption costs. The redemption of these notes required payments on original issuance discounts and retirement premiums that were recorded throughout 2011 in the period of redemption. There were no such charges in the nine months ended September 30, 2012. On December 29, 2011 we repaid in full our other note payable for $18.0 million.

Lease Financing Obligation. At September 30, 2012 and December 31, 2011, we had a lease financing obligation of $113.8 million and $109.9 million, respectively. The change from the December 31, 2011 balance is due to the change in the Canadian dollar exchange rate for the period ended September 30, 2012. The lease financing obligation is the result of the sale and concurrent leaseback of certain land and buildings in Canada in 2007 for a term of ten years. In connection with this transaction, a collateralized letter of credit was issued in favor of the buyer-lessor resulting in the transaction being recorded as a financing transaction rather than a sale for generally accepted

GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. LONG-TERM DEBT AND LEASE FINANCING OBLIGATION (Continued)

accounting principle purposes. As a result, the land, building and related accounts continue to be recognized in the condensed consolidated balance sheets. The amount of the collateralized letter of credit was $5.9 million and $8.0 million as of September 30, 2012 and December 31, 2011, respectively. We are not obligated to repay the lease financing obligation amount of $113.8 million. Our obligation is for the future minimum lease payments under the terms of the related lease agreements. The future minimum lease payments under the terms of the related lease agreements at September 30, 2012 are $1.9 million in 2012, $7.9 million in 2013, $7.9 million in 2014, $8.2 million in 2015, $8.3 million in 2016, and $2.1 million in 2017, the final year of the lease agreements. The change in the future minimum lease payments from such amounts disclosed at December 31, 2011 is due to current period payments and the change in the Canadian dollar exchange rate as of September 30, 2012.

9. COMMITMENTS AND CONTINGENCIES

Legal Proceedings. In August 2004 and January and February 2005, the USEPA conducted environmental investigations of our manufacturing facilities in Aberdeen, Mississippi and Plaquemine, Louisiana, respectively. The USEPA informed us that it identified several "areas of concern," and 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 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. In 2006, we were informed by the USEPA that its regional office responsible for Oklahoma and Louisiana desired to pursue resolution of these matters on a separate track from the regional office responsible for Mississippi. During 2007, we reached agreement with the USEPA regional office responsible for Mississippi on the terms and conditions of a consent decree that would settle USEPA's pending enforcement action against our Aberdeen, Mississippi facility. The parties have executed a consent decree, which was approved by the federal district court in Atlanta, Georgia. Under the consent decree, we are required to, among other things; undertake certain other environmental improvement capital projects. We estimate that the remaining cost of completing these capital projects is approximately $2.5 million.

We have not yet reached a settlement with the USEPA regional office responsible for Oklahoma and Louisiana. However, on November 17, 2009, we received a unilateral administrative order ("UAO") from this USEPA regional office relating to our Plaquemine facility. The UAO, issued pursuant to Section 3013(a) of the Resource Conservation and Recovery Act ("RCRA"), requires us to take and we are undertaking certain monitoring and assessment activities in and around several of our wastewater and storm water conveyance systems at those locations.

We have also received several compliance orders and notices of potential penalties from the Louisiana Department of Environmental Quality ("LDEQ"). On December 17, 2009, we received a Notice of Potential Penalty ("NOPP") from LDEQ containing allegations of violations of Louisiana's hazardous waste management regulations. On October 7, 2010, we received a Compliance Order from LDEQ that also contained allegations of violations of hazardous waste management regulations. On October 1, 2010, we received Consolidated Compliance Orders and Notices of Potential Penalties ("CCONPPs") for both the Plaquemine, Louisiana and Lake Charles, Louisiana facilities. These CCONPPs allege violations of reporting, recordkeeping, and other requirements contained in Louisiana's air pollution control regulations.

GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. COMMITMENTS AND CONTINGENCIES (Continued)

Some of the allegations contained in these compliance orders and notices of potential penalties may potentially be similar to the "areas of concern" raised by USEPA that are discussed above. These compliance orders and notices of potential penalties do not identify specific penalty amounts. It is likely that any settlement, if achieved, will result in the imposition of monetary penalties, capital expenditures for installation of environmental controls and/or other relief. We have estimated our exposure arising from this matter and established a reserve based on that estimate and our belief that it is probable a liability has been incurred. We do not expect that such costs will have a material effect on our financial position, results of operations, or cash flows.

In addition, we are currently, and may in the future become, subject to other claims and legal actions that 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, results of operations or statement of cash flows.

Environmental Regulation. In the first quarter of 2007, the USEPA informed us of possible noncompliance at our Aberdeen, Mississippi facility with certain provisions of the Toxic Substances Control Act. Subsequently, we discovered possible non-compliance involving our Plaquemine, Louisiana and Pasadena, Texas facilities, which were then disclosed. We expect that all of these matters will be resolved in one settlement agreement with USEPA. We do not expect that any penalties associated with these matters will have a material effect on our financial position, results of operations, or cash flows.

There are several serious environmental issues concerning the VCM production facility at our Lake Charles, Louisiana location we acquired from CONDEA Vista Company ("CONDEA Vista" is now Sasol North America, Inc.) in 1999 and substantial investigation of the groundwater at the site has been conducted. Groundwater contamination was first identified in 1981. Groundwater remediation through the installation of groundwater recovery wells began in 1984. The site currently contains an extensive network of monitoring wells and 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 by federal and state environmental authorities concerning contamination of an estuary near the Lake Charles VCM facility, known as the Calcasieu Estuary have been ongoing. It is possible that this estuary will be listed as a Superfund site and will be the subject of a natural resource damage recovery claim. It is estimated that there are about 200 potentially responsible parties ("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. CONDEA Vista is participating in a privately-led remediation of Bayou Verdine that was recently begun and is expected to continue through 2013. The ultimate cost for completion of remedial activities in Bayou Verdine is unknown at this time.

Although CONDEA Vista is not expected to have liability for any other sections of the Calcasieu Estuary, Superfund statutes may impose joint and several liability for the entire 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,

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. COMMITMENTS AND CONTINGENCIES (Continued)

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 known at the time of acquisition (November 1999), we may make a claim for indemnification at any time. For any environmental matters that were then unknown we must generally have made such claims for indemnification before November 12, 2009. No such material claims were made.

At our Lake Charles VCM facility, CONDEA Vista continued to conduct the ongoing remediation at its expense until November 12, 2009. We are now responsible for remediation costs up to $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 approximately $2.3 million. At September 30, 2012, we had incurred an aggregate of approximately $2.1 million of such excess remediation costs. As part of our ongoing assessment of our environmental contingencies, we determined certain remediation costs to be probable and reasonably estimable and had a $3.0 million accrual in other non-current liabilities as of September 30, 2012. We do not discount the recorded liabilities, as the amount and timing of future cash payments are not fixed or cannot be reliably determined.

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.

CONDEA Vista is also primarily responsible for remediation at our former resin production facility in Oklahoma City, Oklahoma. However, we potentially remain liable for the costs of any remediation associated with activities that took place during our ownership and operation of the former Oklahoma City facility.

In August 2012, CONDEA Vista transmitted to us the results of a pre-closure investigation of the former Oklahoma City facility's resin settling ponds, as well as a preliminary cost estimate for activities related to the ultimate closure of these ponds. Under Oklahoma Department of Environmental Quality ("ODEQ") regulations for operation and closure of wastewater treatment facilities, these ponds are required to undergo closure as a result of the closing of the facility. Based on the results of the pre-closure investigation and cost estimate, we believe that some remediation may be required to meet ODEQ requirements, and that we may be liable for a portion of such remediation costs. We do not believe that resolution of this matter will have a material effect on our financial position, results of operations, or cash flows.

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 estimate or predict the aggregate cost of compliance resulting from any such changes.

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. COMMITMENTS AND CONTINGENCIES (Continued)

On February 13, 2012, the United States Environmental Protection Agency issued its final rule to update emissions limits for air toxics from polyvinyl chloride and copolymers production ("PVC production"). The rule, known as the National Emission Standards for Hazardous Air Pollutants for Polyvinyl Chloride and Copolymers Production, was published in the Federal Register on April 17, 2012. The rule establishes new, more stringent, emission standards for certain regulated "hazardous air pollutants," including vinyl chloride monomer. The rule sets maximum achievable control technology ("MACT") standards for major sources of PVC production. The final rule also establishes certain working practices, as well as monitoring, reporting and recordkeeping requirements. Existing sources that become subject to those requirements would have three years from the effectiveness of the rule to come into compliance. The final rule was promulgated following extensive input from a variety of stakeholders, including industry participants, during the formal comment period, as well as several scheduled public hearings. Following the publication of the rule in the Federal Register, legal challenges were filed by the vinyl industry's trade organization, several vinyl manufacturers, and several environmental groups. These legal challenges will likely impact the timing of the implementation of a final rule. We have conducted a preliminary evaluation of the potential impact of a final rule on our operations. This preliminary evaluation is based on the final rule as it currently exists, as well as a number of assumptions concerning the equipment and process changes that would be necessary to come into compliance with the existing final rule. Based on this preliminary evaluation, we expect that the capital expenditures necessary to achieve compliance with the existing final rule to be less than $15 million.

10. EARNINGS PER SHARE

We calculate earnings per share using the two-class method. The two-class method requires that share-based awards with non-forfeitable dividends be classified as participating securities. For the three and nine months ended September 30, 2012, there are 0.2 million and 0.4 million weighted average restricted stock unit participating securities. For the three and nine months ended September 30, 2011, there are 0.6 million and 0.8 million weighted average restricted stock unit participating securities.

In computing diluted earnings per share for both the three and nine months ended September 30, 2012, common stock equivalents of 0.2 million shares were not included due to their anti-dilutive effect. For both the three and nine months ended September 30, 2011, common stock equivalents of 0.3 million shares and 0.2 million shares, respectively were not included due to their anti-dilutive effect.

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. EARNINGS PER SHARE (Continued)

Computations of basic and diluted earnings per share are presented in the following table:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands, except per share data)	**2012**	**2011**	**2012**	**2011**
Basic earnings per share				
Net income	**$ 39,336**	$ 34,358	**$ 88,268**	$ 61,073
Deduct: Net income attributable to participating securities	**156**	611	**794**	1,414
Net income attributable to common stockholders	**$ 39,180**	$ 33,747	**$ 87,474**	$ 59,659
Weighted average common shares Basic	**34,549**	34,165	**34,413**	34,036
Total basic earnings per common share	**$ 1.13**	$ 0.99	**$ 2.54**	$ 1.75
Diluted earnings per share				
Net income attributable to common stockholders	**$ 39,180**	$ 33,747	**$ 87,474**	$ 59,659
Weighted average common shares Basic	**34,549**	34,165	**34,413**	34,036
Plus: Dilutive effect of stock options and awards	**333**	46	**228**	29
Weighted average common shares Diluted	**34,882**	34,211	**34,641**	34,065
Total diluted earnings per share	**$ 1.12**	$ 0.99	**$ 2.53**	$ 1.75

11. EMPLOYEE RETIREMENT PLANS

The following table provides the components of the net periodic benefit cost (income) for all of our pension plans:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	**2012**	**2011**	**2012**	**2011**
Components of net periodic benefit cost (income):				
Interest cost	**$ 1,782**	$ 1,819	**$ 5,395**	$ 5,523
Expected return on assets	**(2,175)**	(2,387)	**(6,517)**	(7,156)
Amortization of:				
Prior service cost	**1**	1	**3**	3
Actuarial loss recognized due to settlement				591
Actuarial loss	**419**	251	**1,260**	745
Total net periodic benefit cost (income)	**$ 27**	$ (316)	**$ 141**	$ (294)

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. EMPLOYEE RETIREMENT PLANS (Continued)

Our major assumptions used to determine the net periodic benefit cost (income) for our U.S. pension plans are presented as follows:

	Nine months ended September 30,	
	2012	**2011**
Discount rate	**5.00%**	5.55%
Expected return on assets	**8.25%**	8.50%

In connection with the closure of our Sarnia, Ontario PVC resin manufacturing facility in December 2008, we decided to wind up the Canadian pension plan. All future benefit obligations for this pension plan were fully funded in 2011 with a contribution in the amount of approximately $0.8 million with a corresponding restructuring charge recognized in the nine months ended September 30, 2011.

For the three and nine months ended September 30, 2012 and 2011, we made no contributions to the U.S. pension plan trust. We made contributions in the form of direct benefit payments for the U.S. pension plans in the nine months ended for both September 30, 2012 and 2011 of approximately $0.4 million, respectively. There were no contributions in the form of direct benefit payments to the U.S. pension plans in either of the three month periods ended September 30, 2012 and 2011.

12. STOCK-BASED COMPENSATION

On May 17, 2011, our shareholders approved the Georgia Gulf Corporation 2011 Equity and Performance Incentive Plan (the "2011 Plan"). Under the 2011 Plan, we are authorized to grant various stock-based compensation awards for up to 1,800,000 shares of our common stock to officers, employees and non-employee directors, among others. We have granted various types of share-based payment awards to participants, including restricted stock unit awards and stock option grants. Our policy is to issue new shares upon the exercise of stock options and the vesting of restricted stock units. As of September 30, 2012, there were 1,191,952 shares available for future grant to participants under our 2011 Plan. In connection with our adoption and shareholder approval of the 2011 Plan, we agreed to not grant additional stock-based compensation awards under our other equity compensation plans.

Total after-tax share-based compensation expense by type of award was as follows:

	Nine Months Ended September 30,	
(In thousands)	**2012**	**2011**
Restricted and deferred stock units expense	**$ 7,646**	**$ 5,295**
Stock options expense	**23**	**191**
Before-tax share-based compensation expense	**7,669**	**5,486**
Income tax benefit	**(2,505)**	**(1,683)**
After-tax share-based compensation expense	**$ 5,164**	**$ 3,803**

The amount of share-based compensation expense capitalized in periods presented was not material.

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. STOCK-BASED COMPENSATION (Continued)

As of September 30, 2012 and 2011, we had approximately $10.4 million and $6.2 million, respectively, of total unrecognized compensation cost related to nonvested share-based compensation, which we will record in our statements of income over a weighted average recognition period of approximately one year. The total fair value of shares vested during the nine months ended September 30, 2012 and 2011 was $5.4 million and $5.2 million, respectively.

Stock Options. A summary of stock option activity under all plans as of and for the nine months ended September 30, 2012 is as follows:

	Shares	Weighted Average Remaining Contractual Terms (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value (In thousands)
Outstanding on January 1, 2012	132,664		$ 297.41	
Exercised	1,400		21.50	
Expired	3,995		561.56	
Forfeited				
Outstanding on September 30, 2012	127,269	5.0	$ 292.16	$ 712
Exercisable as of September 30, 2012	127,269	5.0	$ 292.16	$ 712
Vested or expected to vest as of September 30, 2012	127,269	5.0	$ 292.16	$ 712

During the three and nine months ended September 30, 2012 and 2011, we granted no options to purchase shares. The fair value of stock options when granted has been estimated as of the date of grant using the Black-Scholes option pricing model. Option exercise prices are equal to the closing price of our common stock on the date of grant. Options vest over a three year period from the date of grant and expire no more than ten years after the date of grant. The intrinsic value is calculated as the difference between the market value at period end and the exercise price of the shares. There were no significant options exercised during the three and nine months ended September 30, 2011.

Restricted Stock Units. A summary of restricted stock unit activity under all plans as of and for the nine months ended September 30, 2012 is as follows:

	Shares	Weighted Average Remaining Contractual Terms (Years)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (In thousands)
Outstanding on January 1, 2012	792,815		$ 16.92	
Granted	409,351		30.18	
Vested and released	449,584		10.97	
Forfeited	21,728		22.34	
Outstanding on September 30, 2012	730,854	1.8	$ 27.85	$ 26,472
Vested or expected to vest as of September 30, 2012	723,061	1.7	$ 27.82	$ 26,189

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. STOCK-BASED COMPENSATION (Continued)

During the nine months ended September 30, 2012 and 2011, we granted 409,351 and 290,003 restricted stock units, respectively. The restricted stock units normally vest over a one or three year period. The weighted average grant date fair value per share of restricted stock units granted during the nine months ended September 30, 2012 and 2011, was $30.18 and $27.55, respectively, which is based on the stock price as of the date of grant or, in the case of the performance restricted stock units ("PRSUs"), the fair value was estimated using a Monte Carlo simulation model. The total intrinsic value of restricted stock units that vested during the nine months ended September 30, 2012 and 2011 was $15.3 million and $8.1 million, respectively.

In May 2012 and 2011, we granted PRSUs, which are a form of restricted stock unit in which the number of shares ultimately earned depends on our stock price performance measured against specified performance targets. Following each vesting period, the number of PRSUs subject to award is determined by multiplying the target award by a percentage ranging from 0 percent to 150 percent. The percentage is based on predetermined performance metrics related to our stock price for the stated period. The PRSUs are included with all restricted stock units in all calculations.

13. ACCUMULATED OTHER COMPREHENSIVE LOSS AND OTHER COMPREHENSIVE (LOSS) INCOME

Accumulated other comprehensive loss includes unrealized gains and losses on derivative financial instruments designated as cash flow hedges, adjustments to pension liabilities, foreign currency translation of assets and liabilities of foreign subsidiaries, and effects of exchange rate changes on intercompany balances of a long-term nature. There were no outstanding derivative financial instruments as of September 30, 2012. Amounts recorded in accumulated other comprehensive loss, net of tax, as of December 31, 2011 and September 30, 2012, and changes within the period are as follows:

(In thousands)	Derivative Cash Flow Hedges	Accrued Pension Benefit Liability	Foreign Currency Items	Accumulated Other Comprehensive Loss
Balance at December 31, 2011	$ (453)	$ (40,291)	$ 22,593	$ (18,151)
Net current period change		**(432)**	**6,684**	**6,252**
Reclassification adjustment for losses included in net income	**453**	**1,263**		**1,716**
Balance at September 30, 2012	**$**	**$ (39,460)**	**$ 29,277**	**$ (10,183)**

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. ACCUMULATED OTHER COMPREHENSIVE LOSS AND OTHER COMPREHENSIVE (LOSS) INCOME (Continued)

Other comprehensive (loss) income is derived from adjustments to reflect the unrealized gain (loss) on derivatives, change in pension liability adjustment and change in foreign currency translation adjustment. The components of other comprehensive (loss) income in the three and nine month periods ended September 30, 2012 and 2011 are as follows:

(In thousands)	**Pre-Tax Amount**	**Tax Expense (Benefit)**	**After-Tax Amount**
Three months ended September 30, 2011			
Unrealized gain on derivatives	$ 369	$ 138	$ 231
Change in pension liability adjustment	252	51	201
Change in foreign currency adjustment	(26,072)	(12,596)	(13,476)
Other comprehensive loss	$ (25,451)	$ (12,407)	$ (13,044)
Three months ended September 30, 2012			
Unrealized gain on derivatives	**$ 39**	**$ 15**	**$ 24**
Change in pension liability adjustment	**420**	**156**	**264**
Change in foreign currency adjustment	**14,572**	**6,882**	**7,690**
Other comprehensive income	**$ 15,031**	**$ 7,053**	**$ 7,978**

(In thousands)	**Pre-Tax Amount**	**Tax Expense (Benefit)**	**After-Tax Amount**
Nine months ended September 30, 2011			
Unrealized loss on derivatives	$ (654)	$ (246)	$ (408)
Change in pension liability adjustment	1,559	215	1,344
Change in foreign currency adjustment	(15,917)	(7,277)	(8,640)
Other comprehensive loss	$ (15,012)	$ (7,308)	$ (7,704)
Nine months ended September 30, 2012			
Unrealized gain on derivatives	**$ 721**	**$ 268**	**$ 453**
Change in pension liability adjustment	**1,262**	**431**	**831**
Change in foreign currency adjustment	**12,773**	**6,089**	**6,684**
Other comprehensive income	**$ 14,756**	**$ 6,788**	**$ 7,968**

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. INCOME TAXES

Our effective income tax rate for the three and nine months ended September 30, 2012 was a provision of 33.4 and 30.2 percent, respectively, as compared to provisions of 9.3 percent and 18.1 percent for the three and nine months ended September 30, 2011, respectively. The difference in the effective rate as compared to the U.S. statutory federal income tax rate in 2012 was primarily due to provisions for state tax and various permanent differences including deductions for manufacturing activities, certain merger related costs, and the favorable impact of changes in uncertain tax positions. The difference in the effective tax rate as compared to the U.S. statutory federal income tax rate in 2011 was primarily due to the release of the valuation allowance that results from the utilization of Canadian net operating losses and the resolution of uncertain tax positions.

Liability for Unrecognized Income Tax Benefits

As of September 30, 2012 and December 31, 2011, our liability for unrecognized income tax benefits was approximately $23.7 million and $28.9 million, respectively. Of these amounts, at September 30, 2012, and December 31, 2011, approximately $11.9 million and $13.0 million, respectively relates to accrued interest and penalties. If not realized, all of this amount would affect our effective tax rate. For the three months and nine months ended September 30, 2012, we recognized approximately $0.2 million and $0.6 million, respectively of additional interest expense in our income tax provision related to our liability for unrecognized income tax benefits. For the three months and nine months ended September 30, 2011, we recognized approximately $0.4 million and $1.2 million, respectively of additional interest expense in our income tax provision related to our liability for unrecognized income tax benefits. Our liability for unrecognized income tax benefits decreased during the three months and nine months ended September 30, 2012, primarily as the result of the resolution of uncertain tax positions acquired with Royal Group, primarily in Canada, and foreign currency translation adjustments, offset by the accrual of additional interest expense related to our liabilities for unrecognized tax benefits.

A reconciliation of the liability for unrecognized tax benefits for the three month and nine month periods ended September 30, 2012 and 2011 is set forth in the table below:

(In thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Balance as of beginning of the period	$ 24,468	$ 52,975	$ 28,884	$ 53,315
Additions for current year tax positions	71	14	71	14
Additions for prior year tax positions	243	351	1,234	1,208
Reductions for prior year tax positions		(7,877)		(7,898)
Settlements		(2,952)	(260)	(2,952)
Reductions related to expirations of statute of limitations	(1,782)	(24)	(6,836)	(2,534)
Foreign currency translation	707	(3,067)	614	(1,733)
Balance as of the end of the period	$ 23,707	$ 39,420	$ 23,707	$ 39,420

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, long-term debt, and commodity forward purchase contracts. The carrying

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair value because of the nature of such instruments. The fair value of our 9.0 percent notes is based on quoted market values. Our natural gas forward purchase contracts are fair valued with Level 2 inputs based on quoted market values for similar but not identical financial instruments.

GAAP establishes a fair value hierarchy that prioritizes observable and unobservable inputs to valuation techniques used to measure fair value. These levels, in order of highest to lowest priority are described below:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

Level 2 Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3 Prices that are unobservable for the asset or liability and are developed based on the best information available in the circumstances, which might include the company's own data.

The following is a summary of the carrying amount and estimated fair values of our long-term debt and natural gas forward purchase contracts as of September 30, 2012 and December 31, 2011:

	September 30, 2012		December 31, 2011	
(In thousands)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Level 1				
Long-term debt:				
9.0 percent senior secured notes due 2017	**$ 497,771**	**$ 561,250**	$ 497,464	$ 525,315
Level 2				
Derivative instruments:				
Natural gas forward purchase contracts liability			721	721

16. SEGMENT INFORMATION

We have three reportable segments through which we manage our operating activities: (i) chlorovinyls; (ii) building products; and (iii) aromatics. These three segments reflect the organization used by our management for internal reporting. The chlorovinyls segment consists of a highly integrated chain of electrovinyl products, which includes chlorine, caustic soda, VCM and vinyl resins, and our compound products consisting of compound additives and vinyl compounds. Our vinyl-based building and home improvement products, including window and door profiles and mouldings products and outdoor building products consisting of siding, pipe and pipe fittings and deck products are marketed under the Royal Building Products and Exterior Portfolio brand names, and are managed within the building products segment. The aromatics segment is also integrated and includes the product cumene and the co-products phenol and acetone.

Earnings of our segments exclude interest income and expense, unallocated corporate expenses and general plant services, and provision for income taxes. Transactions between operating segments are valued at market based prices. The revenues generated by these transfers are provided in the following table.

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. SEGMENT INFORMATION (Continued)

The accounting policies applicable to the reportable segments are the same as those described in Note 1 of the Notes to Consolidated Financial Statements in our 2011 Annual Report.

(In thousands)	Chlorovinyls	Aromatics	Building Products	Eliminations, Unallocated and Other	Total
Three months ended September 30, 2012:					
Net sales	**$ 329,101**	**$ 238,187**	**$ 246,214**	**$**	**$ 813,502**
Intersegment revenues	**55,722**		**85**	**(55,807)**	
Gain on sale of assets	**(1,864)**				**(1,864)**
Transaction related costs, restructuring and other, net	**1,259**		**448**	**13,083**	**14,790**
Operating income (loss)	**73,791**	**11,074**	**14,711**	**(25,654)**	**73,922**
Depreciation and amortization	**11,488**	**374**	**9,876**	**1,250**	**22,988**
Three months ended September 30, 2011:					
Net sales	$ 347,195	$ 319,906	$ 262,535	$	$ 929,636
Intersegment revenues	63,741			(63,741)	
Transaction related costs, restructuring and other, net			1		1
Operating income (loss)	46,261	1,689	14,313	(7,848)	54,415
Depreciation and amortization	14,730	384	10,231	1,118	26,463

(In thousands)	Chlorovinyls	Aromatics	Building Products	Eliminations, Unallocated and Other	Total
Nine months ended September 30, 2012:					
Net sales	**$ 998,475**	**$ 856,843**	**$ 685,826**	**$**	**$ 2,541,144**
Intersegment revenues					