GEORGIA GULF CORP /DE/
Form 10-Q
November 01, 2004

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, 2004

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)

Registrant s telephone number, including area code: (770) 395-4500

400 Perimeter Center Terrace Suite 595, Atlanta, Georgia (Former address)	**30346** (Zip 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 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 October 26, 2004**

Common Stock, $0.01 par value	**33,492,541**

GEORGIA GULF CORPORATION FORM 10-Q
QUARTERLY PERIOD ENDED SEPTEMBER 30, 2004
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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, 2004	December 31, 2003
ASSETS		
Cash and cash equivalents	$ 2,227	$ 1,965
Receivables, net of allowance for doubtful accounts of $4,450 in 2004 and 2003	124,770	86,914
Inventories	170,060	124,616
Prepaid expenses	2,550	7,043
Deferred income taxes	8,368	8,368
Total current assets	307,975	228,906
Property, plant and equipment, net	433,750	460,808
Goodwill	77,720	77,720
Other assets	87,876	89,351
Total assets	$ 907,321	$ 856,785
LIABILITIES AND STOCKHOLDERS EQUITY		
Current portion of long-term debt	$ 359	$ 1,000
Accounts payable	183,129	135,680
Interest payable	5,709	1,812
Accrued compensation	16,671	15,058
Other accrued liabilities	18,835	9,614
Total current liabilities	224,703	163,164
Long-term debt, net of current portion	317,023	426,872
Deferred income taxes	122,495	122,617
Other non-current liabilities	12,053	7,693
Commitments and contingencies (note 6)		
Stockholders equity	231,047	136,439
Total liabilities and stockholders equity	$ 907,321	$ 856,785
Common shares outstanding	33,443	32,736

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, 2004	2003	Nine Months Ended September 30, 2004	2003
Net sales	$ 596,373	$ 348,832	$ 1,615,332	$ 1,071,960
Operating costs and expenses:				
Cost of sales	520,302	317,808	1,420,773	984,860
Selling, general and administrative expenses	17,182	9,279	45,943	35,232
Total operating costs and expenses	537,484	327,087	1,466,716	1,020,092
Operating income	58,889	21,745	148,616	51,868
Interest expense, net	(5,717)	(9,676)	(18,199)	(29,232)
Income before income taxes	53,172	12,069	130,417	22,636
Provision for income taxes	19,807	4,343	48,582	8,145
Net income	$ 33,365	$ 7,726	$ 81,835	$ 14,491
Earnings per share:				
Basic	$ 1.01	$ 0.24	$ 2.49	$ 0.45
Diluted	$ 1.00	$ 0.24	$ 2.46	$ 0.45
Weighted average common shares:				
Basic	33,007	32,263	32,806	32,235
Diluted	33,513	32,469	33,218	32,427

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, 2004	2003
Cash flows from operating activities:		
Net income	$ 81,835	$ 14,491
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	47,884	48,039
Deferred income taxes	(122)	(1,586)
Tax benefit related to stock plans	2,344	631
Stock based compensation	2,496	1,113
Change in operating assets, liabilities and other	(16,101)	(35,320)
Net cash provided by operating activities	118,336	27,368
Cash flows used in investing activities:		
Capital expenditures	(15,721)	(15,155)
Cash flows from financing activities:		
Net change in revolving line of credit		8,000
Debt payments related to asset securitization	(35,000)	
Other long term debt payments	(75,490)	(15,450)
Proceeds from issuance of common stock	16,686	909
Purchase and retirement of common stock	(603)	(244)
Dividends paid	(7,946)	(7,787)
Net cash used in financing activities	(102,353)	(14,572)
Net change in cash and cash equivalents	262	(2,359)
Cash and cash equivalents at beginning of period	1,965	8,019
Cash and cash equivalents at end of period	$ 2,227	$ 5,660

See accompanying notes to condensed consolidated financial statements.

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

NOTE 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 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. Certain reclassifications of prior period amounts have been made to conform to current period presentations. Our operating results for the period ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

These financial statements should be read in conjunction with the audited financial statements and notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2003. There have been no material changes in the accounting policies followed by us during fiscal year 2004.

NOTE 2: NEW ACCOUNTING PRONOUNCEMENTS

During the quarter ended September 30, 2004, there were no new accounting pronouncements that have a material impact on the company for the quarter ended September 30, 2004.

NOTE 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 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 $135.0 million, as permitted by the Securitization. Prior to May 27, 2004, the Securitization permitted the sale of $100.0 million. At September 30, 2004 and December 31, 2003, the unpaid balance of accounts receivable in the defined pool was approximately $260.2 million and $192.3 million, respectively.

NOTE 4: INVENTORIES

The major classes of inventories were as follows:

In thousands	September 30, 2004	December 31, 2003
Raw materials and supplies	$ 72,301	$ 42,851
Finished goods	97,759	81,765
Total inventories	$ 170,060	$ 124,616

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NOTE 5: LONG-TERM DEBT

Long-term debt consisted of the following:

In thousands	September 30, 2004	December 31, 2003
Senior credit facility:		
Tranche D term loan	$ 89,510	$ 200,000
7.625% notes due 2005	100,000	100,000
7.125% notes due 2013	100,000	100,000
Other	27,872	27,872
Total debt	317,382	427,872
Less current portion	359	1,000
Long-term debt	$ 317,023	$ 426,872

NOTE 6: COMMITMENTS AND CONTINGENCIES

Purchase Commitments. We have three raw material purchase agreements with fixed and variable payments through 2014. Under these contracts we were required to prepay a certain portion of the fixed and determinable costs, which we have capitalized as a prepaid manufacturing cost in other assets of $37.0 million and $35.7 million as of September 30, 2004 and December 31, 2003, respectively, in the accompanying condensed consolidated balance sheets. We amortize these prepaid manufacturing costs based on the physical delivery from the manufacturer to our plants. We analyze the recoverability of these prepaid manufacturing costs based on the creditworthiness of the manufacturer and the performance under the terms of the contract. In addition, these purchase commitments are not in excess of market prices and are designed to assure a source of supply and are not in excess of our normal manufacturing requirements. We have historically taken physical delivery of the raw materials under these purchase agreements and intend to take physical delivery over the contract term. Therefore, we account for them under the normal purchase provision of Statement of Financial Accounting Standards (SFAS) No. 133 *Accounting for Derivative Instruments and Hedging Activities* and its amendments.

We also have other long-term supply contracts for raw materials, which are at prices not in excess of market, designed to assure a source of supply and are not expected to be in excess of our normal manufacturing operations requirements. Historically, we have taken physical delivery under these contracts and we intend to take physical delivery in the future. Therefore, at inception we designate these contracts as normal purchase agreements and account for them under the normal purchase provision of SFAS No. 133.

Legal Proceedings. We are a party to numerous individual and several class-action lawsuits filed against the company, 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, in 1999 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. In 2001 after negotiation, including a mediation, we reached an agreement for the settlement of these additional claims. This 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 who have opted not to participate in the class settlement, as well as the two worker plaintiffs 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 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 had 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 violations due to unauthorized episodic releases, exceedences of permitted emission rates, exceedences of authorized emissions limitations, and allege violation of leak detection and repair requirements. Under the terms of the settlement, we will pay $50,000 to the Louisiana Department of Environmental Quality and expend $220,000 to implement and perform certain beneficial environmental projects before October 8, 2005. As of September 30, 2004 we included these items in other accrued liabilities in the accompanying consolidated balance sheet. Further, we will voluntarily undertake additional projects to reduce emissions and protect air quality at a cost of approximately $1.3 million in the next year. These payments and expenditures will not have a material effect on our financial position or on our results of operations.

In addition, we are 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 or 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 United States Environmental Protection Agency (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 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 we acquired from CONDEA Vista Company (now Sasol North America, Inc.) at Lake Charles, Louisiana. 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 potentially responsible parties 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, Georgia Gulf s 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 a $2.7 million expense to other non-current liabilities.

The property owned by CONDEA Vista in Mansfield, Massachusetts, for which we negotiated an early lease termination, 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.

NOTE 7: STOCK-BASED COMPENSATION

Restricted Stock Awards. For the nine months ended September 30, 2004 and 2003 we granted restricted stock awards for 108,542 and 117,000 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 2004 and 2003 was $27.11 and $18.85, respectively. The restricted shares vest over a three-year period. Compensation expense, net of tax, for the third quarter of 2004 and 2003 related to the vesting of all restricted stock awards was approximately $0.4 million and $0.3 million, respectively. The unamortized costs of all unvested restricted stock awards of approximately $3.7 million at September 30, 2004 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, 2004 and 2003 we granted stock options for 326,533 and 329,500 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 2004 and 2003 was $27.21 and $19.04, 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. No compensation expense is recognized for our stock option plans. For the nine months ended September 30, 2004 and 2003, options for 619,569 and 56,918 shares were exercised at an average price of $26.82 and $15.91, which generated cash flows of $16.7 million and $0.9 million, respectively.

Pro Forma Effect of Stock Compensation Plans. We account for our stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25 *Accounting for Stock Issued to Employees* and comply with SFAS No. 123 *Accounting for Stock-Based Compensation* for disclosure purposes. Under these provisions, no compensation 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 2004 and 2003 has been estimated as of the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions for 2004 and 2003, respectively.

	Stock purchase plan rights Nine months ended September 30,		**Stock option grants Nine months ended September 30,**	
	2004	**2003**	**2004**	**2003**
Risk-free interest rate	1.29%	1.38%	4.00%	3.65%
Expected life	1 year	1 year	8 years	8 years
Expected volatility	29%	44%	40%	44%
Expected dividend yield	1.11%	1.34%	1.18%	1.70%

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	**2004**	**2003**	**2004**	**2003**
For stock option grants	$ 830	$ 810	$ 2,398	$ 2,292
For stock purchase plan rights	192	306	575	917
Total	1,022	1,116	2,973	3,209
Provision for income taxes	388	402	1,129	1,155
Total, net of taxes	$ 634	$ 714	$ 1,844	$ 2,054

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	**2004**	**2003**	**2004**	**2003**
Net income				
As reported	$ 33,365	$ 7,726	$ 81,835	$ 14,491
Pro forma	32,731	7,012	79,991	12,437
Basic earnings per share:				
As reported	$ 1.01	$ 0.24	$ 2.49	$ 0.45
Pro forma	0.99	0.22	2.44	0.39
Diluted earnings per share:				
As reported	$ 1.00	$ 0.24	$ 2.46	$ 0.45
Pro forma	0.98	0.22	2.42	0.38

NOTE 8: SEGMENT INFORMATION

We have identified 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 (benefit) for (from) income taxes. Intersegment sales and transfers are insignificant.

In thousands	Three months ended September 30, 2004	2003	Nine months ended September 30, 2004	2003
Segment net sales:				
Chlorovinyls	$ 356,499	$ 281,889	$ 1,076,648	$ 875,335
Aromatics	239,874	66,943	538,684	196,625
Net sales	$ 596,373	$ 348,832	$ 1,615,332	$ 1,071,960
Segment operating income (expense):				
Chlorovinyls	$ 39,797	$ 19,084	$ 131,165	$ 61,160
Aromatics	27,546	4,406	37,310	1,735
Corporate and general plant services	(8,454)	(1,745)	(19,859)	(11,027)
Total operating income	$ 58,889	$ 21,745	$ 148,616	$ 51,868

In thousands	September 30, 2004	December 31, 2003
Segment assets:		
Chlorovinyls	$ 711,094	$ 715,368
Aromatics	137,682	87,052
Corporate and general plant services	58,545	54,365
Total assets	$ 907,321	$ 856,785

NOTE 9: EARNINGS PER SHARE

There are no adjustments to Net income or Income before income taxes for the diluted earnings per share computations.

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, 2004	2003	Nine months ended September 30, 2004	2003
Weighted average common shares basic	33,007	32,263	32,806	32,235
Plus incremental shares from assumed conversions:				
Options and Awards	462	189	382	161
Employee stock purchase plan rights	44	17	30	31
Weighted average common shares diluted	33,513	32,469	33,218	32,427

NOTE 10: COMPREHENSIVE INCOME (LOSS) INFORMATION

The components and ending balance of accumulated other comprehensive income (loss) are shown as follows:

Accumulated other comprehensive income (loss) net of tax

In thousands	September 30, 2004	December 31, 2003
Unrealized gains on derivative contract, net of tax of $122	$	$ 204
Additional minimum pension liability, net of tax of $268	(478)	(478)
Total accumulated other comprehensive loss	$ (478)	$ (274)

The components and ending balance of total comprehensive income are as follows:

Total comprehensive income

In thousands	Three months ended September 30, 2004	2003	Nine months ended September 30, 2004	2003
Net income	$ 33,365	$ 7,726	$ 81,835	$ 14,491
Reclassification of gain on derivative contracts to income			(204)	
Total comprehensive income	$ 33,365	$ 7,726	$ 81,631	$ 14,491

NOTE 11: 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, 2004	2003	Nine months ended September 30, 2004	2003
Service cost	$ 767	$ 675	$ 2,301	$ 2,027
Interest cost	1,173	1,124	3,594	3,193
Expected return on plan assets	(1,385)	(1,198)	(4,155)	(3,456)
Amortization of:				
Transition obligation	56	56	167	167
Prior service cost	79	20	245	60
Net (gain) loss	(247)	68	(243)	279
Net periodic benefit cost	$ 443	$ 745	$ 1,909	$ 2,270

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

	2004	2003
Discount rate	6.25 %	6.75 %
Expected return on assets	8.75 %	8.75 %
Rate of compensation increase	4.31 %	6.15 %

As of September 30, 2004, we have made contributions during 2004 of $1.2 million to the plan trust and $0.6 million in the form of direct benefit payments.

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NOTE 12: SUBSEQUENT EVENT

On October 29, 2004 we made a voluntary prepayment of $30.0 million of our Tranche D term loan under our senior credit facility.

NOTE 13: 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. 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).

On November 12, 1999, we essentially became a holding company by transferring our operating assets and employees to our wholly owned subsidiary, Georgia Gulf Chemicals & Vinyls, LLC. 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, 2004
(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$	$ 2,224	$ 3	$	$ 2,227
Receivables, net	170,402	2,259	123,846	(171,737)	124,770
Inventories		170,060			170,060
Prepaid expenses		2,544	6		2,550
Deferred income taxes		8,368			8,368
Total current assets	170,402	185,455	123,855	(171,737)	307,975
Property, plant and equipment, net	85	433,665			433,750
Goodwill		77,720			