GEORGIA GULF CORP /DE/
Form 10-Q
August 05, 2011

Use these links to rapidly review the document
TABLE OF CONTENTS

Table of Contents

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 June 30, 2011

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

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

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, a 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 o   Accelerated filer ý   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 August 2, 2011**
Common Stock, $0.01 par value	34,238,535

Table of Contents

Georgia Gulf Corporation Form 10-Q

Quarterly Period Ended June 30, 2011
Index

Table of Contents

PART I. FINANCIAL INFORMATION.

Item 1. FINANCIAL STATEMENTS.

Georgia Gulf Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

(Unaudited)

(In thousands, except share data)	June 30, 2011	December 31, 2010
Assets		
Cash and cash equivalents	**$ 41,686**	$ 122,758
Receivables, net of allowance for doubtful accounts of $6,578 in 2011 and $10,026 in 2010	**419,629**	267,662
Inventories	**369,143**	261,235
Prepaid expenses	**20,231**	16,606
Income tax receivable	**432**	899
Deferred income taxes	**10,769**	7,266
Total current assets	**861,890**	676,426
Property, plant and equipment, net	**663,873**	653,137
Goodwill	**215,989**	209,631
Intangible assets, net of accumulated amortization of $13,281 in 2011 and $11,873 in 2010	**47,419**	14,351
Deferred income taxes	**8,666**	8,078
Other assets, net	**95,858**	104,078
Total assets	**$ 1,893,695**	$ 1,665,701
Liabilities and Stockholders' Equity		
Current portion of long-term debt	**$ 37,557**	$ 22,132
Accounts payable	**228,495**	132,639
Interest payable	**22,708**	22,558
Income taxes payable	**1,269**	2,910
Accrued compensation	**22,328**	38,382
Liability for unrecognized income tax benefits and other tax reserves	**2,940**	8,822
Other accrued liabilites	**64,658**	48,536
Total current liabilities	**379,955**	275,979
Long-term debt	**744,575**	667,810
Liability for unrecognized income tax benefits	**46,766**	46,884
Deferred income taxes	**202,177**	189,805
Other non-current liabilities	**39,492**	40,631
Total liabilities	**1,412,965**	1,221,109
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: 33,983,404 in 2011 and 33,962,291 in 2010	**340**	340
Additional paid-in capital	**480,359**	476,276
Accumulated other comprehensive income (loss), net of tax	**5,130**	(210)
Accumulated deficit	**(5,099)**	(31,814)

Total stockholders' equity		**480,730**		444,592
Total liabilities and stockholders' equity	**$**	**1,893,695**	$	1,665,701

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Condensed Consolidated Statements of Income

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	**2011**	**2010**	**2011**	**2010**
Net sales	**$ 831,711**	$ 735,706	**$ 1,619,648**	$ 1,367,155
Operating costs and expenses:				
Cost of sales	**748,725**	660,414	**1,460,953**	1,264,785
Selling, general and administrative expenses	**48,183**	36,959	**86,669**	74,817
Restructuring (income) expense	**(707)**	439	**(125)**	134
Total operating costs and expenses	**796,201**	697,812	**1,547,497**	1,339,736
Operating income	**35,510**	37,894	**72,151**	27,419
Interest expense, net	**(16,919)**	(17,425)	**(33,389)**	(35,260)
Loss on redemption of debt	**(1,100)**		**(1,100)**	
Foreign exchange loss	**(340)**	(429)	**(940)**	(434)
Income (loss) before income taxes	**17,151**	20,040	**36,722**	(8,275)
Provision (benefit) for income taxes	**2,563**	(1,649)	**10,007**	(10,933)
Net income	**$ 14,588**	$ 21,689	**$ 26,715**	$ 2,658
Earnings per share:				
Basic	**$ 0.42**	$ 0.62	**$ 0.77**	$ 0.08
Diluted	**$ 0.42**	$ 0.62	**$ 0.77**	$ 0.08
Weighted average common shares:				
Basic	**33,976**	33,722	**33,971**	33,721
Diluted	**34,002**	33,722	**33,992**	33,721

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)	Six Months Ended June 30, 2011	2010
Cash flows from operating activities:		
Net income	**$ 26,715**	$ 2,658
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	**51,842**	50,110
Loss on redemption of debt	**1,100**	
Foreign exchange gain	**(85)**	(45)
Deferred income taxes	**5,194**	(7,696)
Excess tax benefits from share-based payment arrangements	**(65)**	(695)
Long lived impairment charges and loss on sale of assets		591
Stock based compensation	**4,305**	1,548
Other non-cash items	**1,232**	5,528
Change in operating assets, liabilities and other	**(162,676)**	(46,076)
Net cash (used in) provided by operating activities	**(72,438)**	5,923
Cash flows from investing activities:		
Capital expenditures	**(23,692)**	(20,782)
Proceeds from sale of property, plant and equipment	**153**	1,549
Acquisition, net of cash acquired	**(71,623)**	
Net cash used in investing activities	**(95,162)**	(19,233)
Cash flows from financing activities:		
Repayments on ABL revolver	**(203,646)**	(303,501)
Borrowings on ABL revolver	**314,205**	313,572
Repayment of long-term debt	**(22,917)**	(25)
Fees paid to amend or issue debt facilities and equity	**(1,480)**	(3,330)
Excess tax benefits from share-based payment arrangements	**65**	3,328
Stock compensation plan activity	**39**	
Net cash provided by financing activities	**86,266**	10,044
Effect of exchange rate changes on cash and cash equivalents	**262**	(368)
Net change in cash and cash equivalents	**(81,072)**	(3,634)
Cash and cash equivalents at beginning of period	**122,758**	38,797
Cash and cash equivalents at end of period	**$ 41,686**	$ 35,163

See accompanying notes to unaudited condensed consolidated financial statements.

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 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 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 and six month periods ended, June 30, 2011 are not necessarily indicative of the financial condition and results that may be expected for the full year ending December 31, 2011 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 net purchase price of $71.6 million. The preliminary 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 is preliminary and is subject to, among other things, the final valuation of assets acquired and liabilities assumed, and may be adjusted within twelve months of the closing date of the acquisition.

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, 2010 (the "2010 Annual Report"). There have been no material changes in the significant accounting policies followed by us during the three and six month periods ended June 30, 2011 from those disclosed in the 2010 Annual Report.

2. NEW ACCOUNTING PRONOUNCEMENTS

In December 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-29 which amends Accounting Standards Codification ("ASC") topic 805 *Business Combination.* The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in this update also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments related directly to the business combination included in the pro forma revenue and earnings. ASU 2010-29 is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. Implementation of this standard did not have a material impact on our financial statements.

In May 2011, the FASB issued ASU 2011-04, which amends ASC topic 820, *Fair Value Measurements and Disclosures*, to achieve common fair value measurement and disclosure requirements under U.S Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards ("IFRS"). This standard gives clarification for the highest and best use valuation concepts. The ASU also provides guidance on fair value measurements relating to instruments classified in

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

2. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

stockholders' equity and instruments managed within a portfolio. Further, ASU 2011-04 clarifies disclosures for level 3 securities that require companies to provide quantitative information about unobservable inputs used, the sensitivity of the measurement to changes in those inputs, and the valuation process used by the reporting entity. Early adoption is not permitted. Implementation of this standard will be effective in the first fiscal year beginning after December 15, 2011.

In June 2011, the FASB issued ASU 2011-05, which amends ASC topic 220, *Comprehensive Income.* This amendment gives companies 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. The entity is also required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income. Entities will no longer be allowed to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. Early adoption is permitted. Implementation of this standard will be effective in the first fiscal year beginning after December 15, 2011. We have historically presented the components of other comprehensive income as a part of the consolidated statements of changes in stockholders' equity (deficit) or in a separate footnote. We are currently evaluating the newly prescribed disclosure and financial statement presentation options.

3. RESTRUCTURING ACTIVITIES

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 six months ended June 30, 2011, we incurred and paid nil and $0.6 million related to the settlement of pension and postretirement benefits from our permanently shut down PVC manufacturing facility in Sarnia. For the three and six months ended June 30, 2010, we incurred $0.5 million in restructuring expenses and a recovery of $0.3 million, respectively, related to the Fourth Quarter 2008 Restructuring Plan primarily due to reversal of remediation costs that did not have to be incurred or reimbursed by us. This amount is noted as a reduction in the additions column in the table noted. In addition, for the three and six months ended June 30, 2010, we incurred nil and $0.1 million in long-lived asset impairment charges, respectively. We do not expect there to be any further future costs associated with the Fourth Quarter 2008 Restructuring Plan. During the three months ended June 30, 2011, we incurred a recovery of $1.2 million related to the sale of manufacturing equipment associated with a prior restructuring plan to shut down a PVC manufacturing facility in Oklahoma. This recovery is included in restructuring (income) expense in the condensed consolidated statements of income for the three and six months ended June 30, 2011. This recovery is included in the tables below as income in the additions column and as a receivable reclassed out of the ending balance column in the foreign exchange and other adjustments column for the periods presented.

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

3. RESTRUCTURING ACTIVITIES (Continued)

In May 2009, we initiated plans to further consolidate plants in our window and door profiles business (included in the "Other" row in the table below). As a result we incurred restructuring costs, including fixed asset impairment charges, termination benefits and other exit costs which have been recognized in accordance with ASC subtopic 420-10 and related accounting standards. For the three and six months ended June 30, 2011, there were no additional restructuring charges. For the three and six months ended June 30, 2010, we incurred nil and $0.4 million of additional restructuring expenses, respectively, which are included in the table below. We do not expect there to be any further future costs associated with this plan.

In May 2011, in conjunction with our integration strategy for Exterior Portfolio, we simplified some redundant selling, general & 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 $0.4 million of restructuring costs being incurred for the three and six months ended June 30, 2011, which are included in the table below in the Other row. We continue to evaluate and execute plans to integrate the Exterior Portfolio acquisition into our operations.

A summary of our restructuring activities by reportable segment for the three and six months ended June 30, 2011 and 2010 is as follows:

(In thousands)	Balance at March 31, 2011	Additions (Recoveries)	Cash Payments	Foreign Exchange and Other Adjustments	Balance at June 30, 2011
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**$ 89**	$	$ (17)	$ 1	**$ 73**
Exit costs	**134**	(1,150)	116	1,151	**251**
Building Products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**958**		(15)	4	**947**
Other:					
Involuntary termination benefits	**63**	443	(73)	1	**434**
Corporate					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**161**			1	**162**
Total	**$ 1,405**	$ (707)	$ 11	$ 1,158	**$ 1,867**

Table of Contents

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 (Recoveries)	Cash Payments	Foreign Exchange and Other Adjustments	Balance at June 30, 2011
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**$ 108**	$ 634	$ (806)	$ 137	**$ 73**
Exit costs	**130**	(1,150)	116	1,155	**251**
Building Products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**1,168**	(52)	(194)	25	**947**
Other:					
Involuntary termination benefits	**86**	443	(97)	2	**434**
Corporate					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**156**			6	**162**
Total	**$ 1,648**	$ (125)	$ (981)	$ 1,325	**$ 1,867**

(In thousands)	Balance at March 31, 2010	Additions (Recoveries)	Cash Payments	Foreign Exchange and Other Adjustments	Balance at June 30, 2010
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**$ 49**	$ 157	$	$ 42	**$ 248**
Exit costs	**542**	332	(699)	(8)	**167**
Building Products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**2,103**	5	(513)	(71)	**1,524**
Exit costs					
Other					
Involuntary termination benefits	**778**	(59)	(128)	(24)	**567**
Exit costs		4	(4)		
Corporate					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**49**			(49)	
Total	**$ 3,521**	$ 439	$ (1,344)	$ (110)	**$ 2,506**

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

3. RESTRUCTURING ACTIVITIES (Continued)

(In thousands)	Balance at December 31, 2009	Additions (Recoveries)	Cash Payments	Foreign Exchange and Other Adjustments	Balance at June 30, 2010
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**$ 1,030**	$ 157	$ (991)	$ 52	**$ 248**
Exit costs	**1,976**	(756)	(922)	(131)	**167**
Building Products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**2,418**	230	(1,127)	3	**1,524**
Exit costs		55	(55)		
Other:					
Involuntary termination benefits	**1,042**	(148)	(330)	3	**567**
Exit costs	**179**	460	(639)		
Corporate					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**48**			(48)	
Total	**$ 6,693**	$ (2)	$ (4,064)	$ (121)	**$ 2,506**

4. INVENTORIES

The major classes of inventories were as follows:

(In thousands)	June 30, 2011	December 31, 2010
Raw materials	**$ 160,360**	$ 98,815
Work-in-progress and supplies	**6,521**	5,104
Finished goods	**202,262**	157,316
Inventories	**$ 369,143**	$ 261,235

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

(In thousands)	June 30, 2011	December 31, 2010
Machinery and equipment	**$ 1,434,546**	$ 1,395,455
Land and land improvements	**92,318**	89,042
Buildings	**210,352**	201,228
Construction-in-progress	**30,265**	21,573
Property, plant and equipment, at cost	**1,767,481**	1,707,298
Accumulated depreciation	**(1,103,608)**	(1,054,161)

Property, plant and equipment, net	**$**	**663,873**	$	653,137

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

6. OTHER ASSETS, NET

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

(In thousands)	June 30, 2011	December 31, 2010
Advances for long-term purchase contracts	**$ 40,177**	$ 49,204
Investment in joint ventures	**8,261**	9,691
Debt issuance costs, net	**22,541**	21,926
Assets held for sale	**14,151**	14,151
Other	**10,728**	9,106
Total other assets, net	**$ 95,858**	$ 104,078

The decrease in Advances for long-term purchase contracts is the result of amortizing the prepayments usage over the terms of the related contracts. The amortization of these costs is reflected as other non-cash items in the accompanying unaudited condensed consolidated statement of cash flows.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

In February 2011 we acquired Exterior Portfolio which is now part of our building products segment. We have performed preliminary estimates of the fair market value of the acquired assets and liabilities and a related allocation of the net purchase price to goodwill and other intangible assets as follows: $24.1 million customer relationships, $6.0 million technology, $4.3 million trade names and the residual $2.9 million was attributed to goodwill. These allocations are preliminary and are subject to, among other things, the final valuation of the assets acquired and liabilities assumed and may be adjusted within twelve months of the closing date of this acquisition.

Goodwill. The following table provides the detail of the changes made to goodwill by reportable segment during the six months ended and as of June 30, 2011 and as of December 31, 2010.

(In thousands)	Chlorovinyls	Building Products	Total
Gross goodwill at December 31, 2010	$ 245,266	$ 152,058	$ 397,324
Accumulated impairment losses at December 31, 2010	(55,487)	(132,206)	(187,693)
Net goodwill at December 31, 2010	$ 189,779	$ 19,852	$ 209,631
Gross goodwill at December 31, 2010	$ 245,266	$ 152,058	$ 397,324
Preliminary addition Exterior Portfolio		2,891	2,891
Foreign currency translation adjustment	3,467		3,467
Gross goodwill at June 30, 2011	248,733	154,949	403,682
Accumulated impairment losses at June 30, 2011	(55,487)	(132,206)	(187,693)
Net goodwill at June 30, 2011	$ 193,246	$ 22,743	$ 215,989

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

7. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

Indefinite lived intangible assets. At June 30, 2011 and December 31, 2010 our indefinite-lived assets consisted of trade names. The following table provides the indefinite-lived intangible assets by reporting segment as of June 30, 2011 and December 31, 2010.

(In thousands)	Chlorovinyls	Building Products	Total
Balance at December 31, 2010	$ 372	$ 4,247	$ 4,619
Additions to trade names at June 30, 2011		4,300	4,300
Foreign currency translation adjustment	12	65	77
Balance at June 30, 2011	$ 384	$ 8,612	$ 8,996

Finite-lived intangible assets. At June 30, 2011 and December 31, 2010, we also had customer relationship and technology intangible assets that relate to our building products segment. As noted above, an additional $24.1 million was attributed to customer relationships and $6.0 million to technology and those amounts are included in the June 30, 2011 building products segment balances relating to the preliminary allocation from the Exterior Portfolio acquisition.

(In thousands)	Building Products
Gross carrying amounts at June 30, 2011:	
Customer relationships	$ 35,522
Technology	17,867
Total	53,389
Accumulated amortization at June 30, 2011:	
Customer relationships	(5,911)
Technology	(7,370)
Total	(13,281)
Foreign currency translation adjustment and other at June 30, 2011:	
Customer relationships	(1,685)
Technology	
Total	(1,685)
Net carrying amounts at June 30, 2011:	
Customer relationships	27,926
Technology	10,497
Total	$ 38,423

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

7. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

(In thousands)	Building Products
Gross carrying amounts at December 31, 2010:	
Customer relationships	$ 11,422
Technology	11,867
Total	23,289
Accumulated amortization at December 31, 2010:	
Customer relationships	(5,199)
Technology	(6,674)
Total	(11,873)
Foreign currency translation adjustment and other at December 31, 2010:	
Customer relationships	(1,684)
Technology	
Total	(1,684)
Net carrying amounts at December 31, 2010:	
Customer relationships	4,539
Technology	5,193
Total	$ 9,732

The weighted average estimated useful life for the customer relationships is approximately 16 years. Technology has a weighted average estimated useful life of approximately 7 years. Amortization expense for the finite-lived intangible assets was $0.8 million and $0.3 million for the three months ended June 30, 2011 and June 30, 2010, respectively. For the six months ended June 30, 2011 and June 30, 2010, the amortization expense was $1.4 million and $0.5 million, respectively. Total finite-lived intangible assets estimated annual amortization expense for the next five fiscal years is approximately $3.3 million per year.

8. LONG-TERM DEBT

Long-term debt consisted of the following:

(In thousands)	June 30, 2011	December 31, 2010
Senior secured ABL revolving credit facility due 2016	**$ 110,628**	$
9.0% senior secured notes due 2017	**497,268**	497,085
7.125% senior notes due 2013		8,965
9.5% senior notes due 2014		13,162
10.75% senior subordinated notes due 2016	**41,440**	41,412
Lease financing obligation	**115,867**	112,385

Other	**16,929**	16,933
Total debt	**782,132**	689,942
Less current portion	**(37,557)**	(22,132)
Long-term debt	**$ 744,575**	$ 667,810

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

8. LONG-TERM DEBT (Continued)

The senior secured asset-based revolving credit facility (the "ABL Revolver") provides for a maximum of $300 million of revolving credit through January 2016, subject to borrowing base availability, including sub-limits for letters of credit and swing line loans. The borrowing base is equal to specified percentages of our eligible accounts receivable and inventories, less other reserves reasonably determined by the co-collateral agents. The borrowings under the ABL Revolver are generally secured by substantially all of our assets.

On January 14, 2011, we entered into an amendment to the ABL Revolver. The amendment extended the maturity date of the ABL Revolver by two years to January 13, 2016, eliminated the $15 million availability block, reduced the unused commitment fees, reduced the applicable margins for borrowings under the ABL Revolver and amended the average excess availability amounts to which those margins apply.

The weighted average interest rate on borrowings under the ABL Revolver was 4.2 percent and 5.1 percent as of June 30, 2011 and December 31, 2010, respectively. In addition to paying interest on outstanding principal under the ABL Revolver, we are required to pay a commitment fee in respect of the unutilized commitments and we must also pay customary letter of credit fees equal to the applicable margin on London Interbank Offered Rate ("LIBOR") loans and agency fees.

The ABL Revolver requires that if excess availability is less than $45 million, we must maintain a minimum fixed charge coverage ratio of 1.10 to 1.00. At June 30, 2011 and December 31, 2010 excess availability was $173.2 million and $264.8 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 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; amend or otherwise alter terms of certain indebtedness; 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 $60.0 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.

At June 30, 2011 and December 31, 2010, we had $110.6 million and nil in outstanding principal borrowed under the ABL Revolver and had outstanding letters of credit totaling $16.2 million and $20.2 million, respectively. On April 4, 2011, we redeemed all of our 7.125% Senior Notes due 2013 and 9.5% Senior Notes due 2014 that remained outstanding for the aggregate principal amount of $22.2 million. In connection with the redemption of these notes, we incurred a $1.1 million loss during the three months ended June 30, 2011 comprised of fees and unamortized discounts. In addition, our other note payable of $16.9 million is due in January 2012, and over the next twelve months, we expect to repay approximately $20.6 million of borrowings under our ABL Revolver. Therefore, we have classified these debts as current in our consolidated balance sheet as of June 30, 2011.

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

8. LONG-TERM DEBT (Continued)

On December 22, 2009, we issued $500.0 million principal amount of 9.0 percent senior secured notes that are due in 2017. Interest on these 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 100.0 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 senior secured 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 9.0 percent senior secured 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 9.0 percent senior secured 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 senior secured notes are generally secured by substantially all of our assets, and contain certain restrictive covenants including restrictions on debt incurrence, granting of liens, dividends, acquisitions and investments.

Lease Financing Obligation. The lease financing obligation is the result of the sale and concurrent leaseback of certain land and buildings in Canada in 2007. 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, and the land and building and related accounts continue to be recognized in the condensed consolidated balance sheets. The future minimum lease payments under the terms of the related lease agreements at June 30, 2011 are $3.9 million, $7.7 million in 2012, $8.0 million in 2013, $8.1 million in 2014, $8.4 million in 2015, and $10.5 million thereafter. The change in the future minimum lease payments from the December 31, 2010 balance is due to monthly payments and the change in the Canadian dollar exchange rate during the six months ended June 30, 2011.

9. COMMITMENTS AND CONTINGENCIES

Legal Proceedings. In August 2004 and January and February 2005, the United States Environmental Protection Agency (USEPA) conducted environmental investigations of our manufacturing facilities in Aberdeen, Mississippi and Plaquemine, Louisiana, respectively. The USEPA 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. During the second quarter of 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 the second quarter of 2007, we reached agreement with the USEPA 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. All parties have executed a consent decree setting forth the terms and conditions of the settlement. The consent decree has been approved by the federal district court in Atlanta, Georgia. Under the consent decree, we were required to, among other things; undertake certain other environmental improvement projects. While the cost of

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

9. COMMITMENTS AND CONTINGENCIES (Continued)

such remaining projects will likely exceed $1 million, we do not believe that these projects will have a material effect on our financial position, results of operations, or cash flows.

We have not yet achieved 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. The UAO, issued pursuant to Section 3013(a) of the Resource Conservation and Recovery Act ("RCRA"), requires us to take certain monitoring and assessment activities in and around several of our wastewater and storm water conveyance systems.

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 Consolidated Compliance Order (CCO) from LDEQ addressing the same allegations as were contained in the December 17, 2009 NOPP. On October 1, 2010, we received Consolidated Compliance Orders and Notices of Potential Penalties (CCONPPs) for both the Plaquemine, and Lake Charles, Louisiana facilities. These CCONPPs allege violations of reporting, recordkeeping, and other requirements contained in Louisiana's air pollution control regulations.

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 are not able to forecast the total cost of any monetary penalties, environmental projects, or other relief that would be imposed in any settlement or order. While we expect that such costs will exceed $100,000, we do not expect that such costs will have a material effect on our financial position, results of operations, or cash flows.

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

Environmental Regulation. Our operations are subject to increasingly stringent federal, state and local laws and regulations relating to environmental quality. These regulations, which are enforced principally by the USEPA and comparable state agencies and Canadian federal and provincial 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 addition to the matters involving environmental regulation above, we have the following potential environmental issues.

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 disclosures will be resolved in one settlement agreement with USEPA. While the penalties, if any, for such noncompliance may exceed $100,000, we do not expect that any penalties will have a material effect on our financial position, results of operations, or cash flows.

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

9. COMMITMENTS AND CONTINGENCIES (Continued)

There are several serious environmental issues concerning the VCM facility at Lake Charles, Louisiana we acquired from CONDEA Vista Company ("CONDEA Vista" is now Sasol North America, Inc.) on November 12, 1999. Substantial investigation of the groundwater at the site has been conducted, and groundwater contamination was first identified in 1981. Groundwater remediation through the installation of groundwater recovery wells began in 1984. The site currently contains 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 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 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. The estimated cost for investigation and remediation of the estuary is unknown and could be significant. Also, Superfund statutes may impose joint and several liabilities 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 Chlorovinyls 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 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 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. As part of our ongoing assessment of our environmental contingencies, we determined these remediation costs to be probable and estimable and therefore maintained a $0.7 million accrual in liabilities at June 30, 2011.

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.

In May 2008, our corporate management was informed that further efforts to remediate a spill of styrene reducer at our Royal Mouldings facility in Atkins, Virginia would be necessary. The spill was the result of a supply line rupture from an external holding tank. As a result of this spill, the facility entered into a voluntary remediation agreement with the Virginia Department of Environmental Quality ("VDEQ") in August 2003 and began implementing the terms of the voluntary agreement

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

9. COMMITMENTS AND CONTINGENCIES (Continued)

shortly thereafter. In August 2007, the facility submitted a report on the progress of the remediation to the VDEQ. Subsequently, the VDEQ responded by indicating that continued remediation of the area impacted by the spill is required. While the remaining remediation costs may exceed $100,000, we do not expect such costs 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 accurately predict the aggregate cost of compliance resulting from any such changes.

10. EARNINGS PER SHARE

We calculate earnings per share in accordance with ASC subtopic 260-10, *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. In calculating basic earnings per share, this method requires net income to be reduced by the amount of dividends declared in the current period for each participating security and by the contractual amount of dividends or other participation payments that are paid or accumulated for the current period. Undistributed earnings for the period are allocated to participating securities based on the contractual participation rights of the security to share in those current earnings assuming all earnings for the period are distributed. Recipients of certain of our restricted stock unit awards have contractual participation rights that are equivalent to those of common stockholders. Therefore, we allocate undistributed earnings to these restricted stock unit participating securities and common stock based on their respective participation percentage.

The two-class method also requires the denominator to include the weighted average number of shares of restricted stock unit participating securities when calculating basic earnings per share. For both the three and six months ended June 30, 2011, there are 0.9 million weighted average restricted stock unit participating securities. For both the three and six months ended June 30, 2010, there are 1.2 million weighted average restricted stock unit participating securities. Diluted earnings per share also include the additional share equivalents from the assumed conversion of stock based awards including options and certain restricted stock units. Conversion of the options is calculated using the treasury stock method, subject to the anti-dilution provisions of ASC subtopic 260-10.

In computing diluted earnings per share for the three and six months ended June 30, 2011, common stock equivalents of 0.2 million shares and 0.2 million shares, respectively, were not included due to their anti-dilutive effect. For the three and six months ended June 30, 2010, all common stock equivalents were excluded due to their anti-dilutive effect.

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

10. EARNINGS PER SHARE (Continued)

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

In thousands, except per share data	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Basic earnings per share				
Undistributed income	**$ 14,588**	$ 21,689	**$ 26,715**	$ 2,658
Deduct: Undistributed earnings Restricted stock unit participating securities	**376**	738	**690**	89
Common stockholders' interest in undistributed income	**$ 14,212**	$ 20,951	**$ 26,025**	$ 2,569
Weighted average common shares Basic	**33,976**	33,722	**33,971**	33,721
Total common stockholders' basic earnings per share	**$ 0.42**	$ 0.62	**$ 0.77**	$ 0.08
Diluted earnings per share				
Common stockholders' interest in undistributed income used in diluted earnings per share	**$ 14,212**	$ 20,951	**$ 26,025**	$ 2,569
Weighted average common shares Basic	**33,976**	33,722	**33,971**	33,721
Stock based awards	**26**		**21**	
Weighted average common shares Diluted	**34,002**	33,722	**33,992**	33,721
Total common stockholders' diluted earnings per share	**$ 0.42**	$ 0.62	**$ 0.77**	$ 0.08

11. EMPLOYEE RETIREMENT PLANS

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

In thousands	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Components of net periodic benefit (income) cost:				
Interest cost	**$ 1,826**	$ 1,964	**$ 3,703**	$ 3,926
Expected return on assets	**(2,381)**	(2,468)	**(4,769)**	(4,926)
Amortization of:				
Prior service credit	**1**		**2**	
Actuarial loss recognized due to settlement			**591**	
Actuarial loss	**247**	204	**493**	409
Total net periodic benefit (income) costs	**$ (307)**	$ (300)	**$ 20**	$ (591)

Table of Contents

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:

	Six months ended June 30,	
	2011	**2010**
Discount rate	**5.55%**	6.00%
Expected return on assets	**8.50%**	8.75%

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 February 2011 with a contribution in the amount of approximately $0.8 million. For the three and six months ended June 30, 2010 we made contributions of $0.4 million and $0.5 million, respectively, to the Canadian pension trust.

For the three and six months ended June 30, 2011and 2010, 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 three months and six months ended June 30, 2011 and 2010 of approximately nil and $0.4 million, respectively.

12. STOCK-BASED COMPENSATION

On May 17, 2011, our shareholders approved the 2011 Equity and Performance Incentive Plan (the "2011 Plan"). Under the 2011 Plan, we are authorized to grant various stock compensation awards for up to 1,800,000 shares of our common stock to officers, employees and non-employee directors. We have various types of share-based payment arrangements with our officers, employees and non-employee directors including restricted stock units and stock options. We issue previously unissued shares upon the exercise of stock options and the restricted stock units. As of June 30, 2011, there were 1,685,044 shares available for future grant to employees and non-employee directors under our 2011 Plan.

Total after-tax share-based compensation cost by type of program was as follows:

	Six months ended June 30,	
(In thousands)	**2011**	**2010**
Restricted stock units expense	**$ 4,151**	$ 1,242
Stock options expense	**154**	306
Before-tax share-based compensation expense	**4,305**	1,548
Income tax benefit	**(1,388)**	(621)
After-tax share-based compensation expense	**$ 2,917**	$ 927

The amount of share-based compensation cost capitalized in periods represented was not material.

As of June 30, 2011 and 2010, we had approximately $8.6 million and $5.9 million of total unrecognized compensation cost related to nonvested share-based compensation, which we will record

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

12. STOCK-BASED COMPENSATION (Continued)

in our statements of income over a weighted average recognition period of approximately two years. The total fair value of shares vested during the six months ended June 30, 2011 and 2010 was $1.9 million and $3.7 million, respectively.

Stock Options. During the six months ended June 30, 2011 and 2010, we granted no options to purchase shares. Stock option exercise prices are equal to the closing price of our common stock on the date of grant. Stock options vest over a three-year period from the date of grant and expire no more than ten years after the date of grant.

A summary of stock option activity under all plans for the six months ended June 30, 2011 is as follows:

	Six Months Ended June 30, 2011			
	Shares	Weighted Average Remaining Contractual Terms (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value
				(In thousands)
Outstanding on January 1, 2011	155,693		$ 340.48	
Exercised	(1,840)		21.25	
Expired	(6,980)		422.50	
Forfeited	(220)		717.18	
Outstanding on June 30, 2011	146,653	5.8 years	$ 340.01	$ 153
Exercisable as of June 30, 2011	128,010	5.5 years	$ 386.25	$ 93
Vested or expected to vest as of June 30, 2011	146,500	5.8 years	$ 340.35	$ 152

Stock-based Compensation Related to Stock Options. The fair value of stock options granted has been estimated as of the date of grant using the Black-Scholes option-pricing model. The use of a valuation model requires us to make certain assumptions with respect to selected model inputs. We use the historical volatility for our stock, as we believe that historical volatility is more representative than implied volatility. The expected life of the awards is based on historical and other economic data trended into the future. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of our awards. The dividend yield assumption is based on our history and expectation of dividend payouts. The use of a different model or different assumptions may result in a materially different valuation.

Restricted Stock Units. In May 2011 we granted performance restricted stock units ("PRSUs") that 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% to 150%. The percentage is based on predetermined performance metrics related to our stock price for the respective period. The PRSUs are included with all restricted stock units in all calculations.

During the six months ended June 30, 2011 and 2010, we granted 289,003 and 100,968 restricted stock units, respectively. The restricted stock units are expensed over the requisite service period for each award which generally equals the stated vesting period. The weighted average grant date fair value

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

12. STOCK-BASED COMPENSATION (Continued)

per share of restricted stock units granted during the six months ended June 30, 2011 and 2010 was $27.55 and $17.55, respectively, which is based on the stock price as of the date of grant or in the case of the PRSU's the fair value was estimated using a Monte Carlo simulation model. A summary of restricted stock units (including PRSU's) and related changes therein during the six months ended June 30, 2011 is as follows:

	Six Months Ended June 30, 2011			
	Shares	Weighted Average Remaining Contractual Terms (Years)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (In thousands)
Outstanding on January 1, 2011	**909,358**		**$ 10.75**	
Granted	**289,003**		**27.55**	
Issued	**(24,945)**		**37.64**	
Forfeited	**(7,334)**		**8.75**	
Outstanding on June 30, 2011	**1,166,082**	**2.1 Years**	**$ 14.35**	**$ 28,149**
Vested or expected to vest as of June 30, 2011	**1,128,085**	**2.1 Years**	**$ 13.94**	**$ 27,232**

13. COMPREHENSIVE INCOME (LOSS) INFORMATION

Our comprehensive income (loss) includes foreign currency translation of assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature, unrealized gains and losses on derivative financial instruments designated as cash flow hedges, and adjustments to pension liabilities as required by ASC subtopic 715-30, *Compensation Retirement Benefits Defined Benefit Plans Pensions*. The components of accumulated other comprehensive income (loss) and total comprehensive income are shown as follows:

Accumulated other comprehensive income (loss) net of tax

In thousands	June 30, 2011	December 31, 2010
Unrealized (loss) gain on derivative contracts	**$ (375)**	$ 264
Pension liability adjustment including effect of ASC topic 715	**(26,498)**	(27,641)
Currency translation adjustment	**32,003**	27,167
Total accumulated other comprehensive income (loss)	**$ 5,130**	$ (210)

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

13. COMPREHENSIVE INCOME (LOSS) INFORMATION (Continued)

The components of total comprehensive income are as follows:

Total comprehensive income

In thousands	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Net income	**$ 14,588**	$ 21,689	**$ 26,715**	$ 2,658
Unrealized (loss) gain on derivative contracts	**(555)**	610	**(639)**	355
Pension liability adjustment including effect of ASC topic 715	**154**	106	**1,143**	253
Currency translation adjustment	**766**	(6,013)	**4,836**	(1,675)
Total comprehensive income	**$ 14,953**	$ 16,392	**$ 32,055**	$ 1,591

14. INCOME TAXES

Our effective income tax rates for the three and six months ended June 30, 2011 were 15.0 percent and 27.3 percent, respectively, as compared to a benefit of 8.2 percent and 132.1 percent, as reported for the three and six months ended June 30, 2010, respectively. The difference in the 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 utilization of Canadian net operating losses and the resolution of certain uncertain tax positions, and for 2010 was primarily due to a tax benefit from the resolution of uncertain tax positions, offset by the valuation allowance that results from the use of net operating losses in Canada.

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 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 values of our 9.0 percent senior secured notes and our natural gas forward purchase contracts are based on quoted market values. Due to limited trading activity for our 7.125 percent senior notes due 2013, our 9.5 percent senior notes due 2014, and our 10.75 percent senior subordinated notes due 2016, the fair values of those notes are estimated based on a weighted average of trading activity before and after the applicable reporting period date. Our ABL Revolver is fair valued using comparable recent third party transactions. Our natural gas forward purchase contracts are fair valued with Level 2 inputs.

The FASB ASC 820-10 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.

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

15. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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.

(In thousands)	June 30, 2011 Carrying Amount	June 30, 2011 Fair Value	December 31, 2010 Carrying Amount	December 31, 2010 Fair Value
Level 1				
Long-term debt:				
9.0% senior secured notes due 2017	**$ 497,268**	**$ 545,940**	$ 497,085	$ 538,750
Level 2				
Long-term debt:				
10.75% senior subordinated notes due 2016	**41,440**	**44,627**	41,412	43,644
7.125% senior notes due 2013			8,965	8,885
9.5% senior notes due 2014			13,162	13,235
ABL Revolver due 2016	**110,628**	**110,628**		
Derivative instruments:				
Natural gas forward purchase contracts liability (asset)	**598**	**598**	(425)	(425)

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, fence and rail products are marketed under the Royal Group 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.

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

16. SEGMENT INFORMATION (Continued)

The accounting policies of the reportable segments are the same as those described in Note 1 of the Notes to Consolidated Financial Statements in our 2010 Annual Report on Form 10-K.

(In thousands)	Chlorovinyls	Aromatics	Building Products	Eliminations, Unallocated and Other	Total
Three months ended June 30, 2011:					
Net sales	**$ 323,663**	**$ 233,892**	**$ 274,156**	**$**	**$ 831,711**
Intersegment revenues	**70,439**			**(70,439)**	
Restructuring (income) expense	**(1,150)**		**443**		**(707)**
Operating income (loss)	**37,826**	**(7,448)**	**16,891**	**(11,759)**	**35,510**
Depreciation and amortization	**14,582**	**353**	**10,390**	**1,067**	**26,392**
Three months ended June 30, 2010:					
Net sales	$ 300,811	$ 191,646	$ 243,249	$	$ 735,706
Intersegment revenues	78,817			(78,817)	
Restructuring (income) expense	489		(50)		439
Operating income (loss)	36,196	(7,782)	18,738	(9,258)	37,894
Depreciation and amortization	14,905	350	8,715	1,251	25,221

(In thousands)	Chlorovinyls	Aromatics	Building Products	Eliminations, Unallocated and Other	Total
Six months ended June 30, 2011:					
Net sales	**$ 649,983**	**$ 538,005**	**$ 431,660**	**$**	**$ 1,619,648**
Intersegment revenues	**134,700**		**3**	**(134,703)**	
Restructuring (income) expense	**(516)**		**391**		**(125)**
Operating income (loss)	**75,565**	**12,334**	**4,825**	**(20,573)**	**72,151**
Depreciation and amortization	**29,181**	**713**	**19,749**	**2,199**	**51,842**
Six months ended June 30, 2010:					
Net sales	$ 588,522	$ 382,334	$ 396,299	$	$ 1,367,155
Intersegment revenues	136,257			(136,257)	
Restructuring (income) expense	(463)		597		134
Operating income (loss)	27,544	1,863	15,065	(17,053)	27,419
Depreciation and amortization	29,703	730	17,179	2,498	50,110

Sales by Product

The table below summarizes net sales by product. Our Electrovinyls products are primarily comprised of chlorine/ caustic soda, VCM and vinyl resins. Our compound products are comprised of

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

16. SEGMENT INFORMATION (Continued)

vinyl compounds, compound additives and plasticizers. Our outdoor building products are comprised of siding, pipe and pipe fittings, and deck, fence, and rail products.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2011**	**2010**	**2011**	**2010**
Chlorovinyls				
Electrovinyl products	**$ 209,794**	$ 195,566	**$ 428,563**	$ 390,824
Compound products	**113,869**	105,245	**221,420**	197,698
Total	**323,663**	300,811	**649,983**	588,522
Aromatics				