1 9 8

ANNUAL REPORT

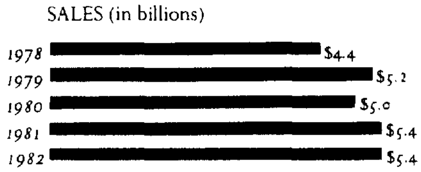
HIGHLIGHTS

Dollar amounts and shares are in thousands

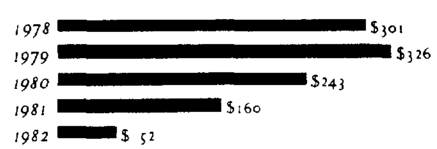
	1982	1981	1980
Net sales	**$5,402,000**	$5,414,000	$5,016,000
Income[1]	**52,000**	160,000	243,000
Per share of common stock[1]			
Primary	**.48**	1.51	2.33
Fully diluted	**.50**	1.49	2.27
Depreciation	**293,000**	223,000	211,000
Depletion	**63,000**	54,000	56,000
Cash dividends declared	**119,000**	132,000	130,000
Total assets	**5,150,000**	5,060,000	4,512,000
Cash dividends declared per share of common stock	**$ 1.05**	$ 1.20	$ 1.20
Shares of common stock and common stock equivalents			
Primary	**106,370**	105,400	104,000
Fully diluted	**110,220**	109,450	108,050
Number of common shareholders of record	**88,000**	89,000	90,200
Number of employees	**44,000**	44,000	44,000

[1]Before extraordinary items and accounting change in 1982.

SALES (in billions)

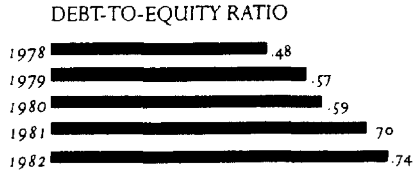


INCOME (in millions)



Before extraordinary items and accounting change in 1982.

DEBT-TO-EQUITY RATIO



Letter to Shareholders

We are pleased to report that an improving business trend which began in the closing months of 1982 has continued into 1983 and appears likely to maintain its upward direction throughout this year and into 1984. However, the improvement came too late to prevent 1982 from being our worst year in recent times.

Although we reported net income of $153 million or $1.44 per share on a primary basis, our 1982 results included several extraordinary and nonoperating factors. Expenses associated with settlement of the plywood litigation, the Atlanta relocation, and writedowns of certain facilities were more than offset by a change in accounting policy, an exchange of debt for common shares, the sale of tax credits and natural gas royalties, and modest operating earnings.

The litigation settlement was a difficult action for us to take, because we did not fix plywood prices. In fact, we had previously won on the same issues, facts, and evidence in another case in the 9th Circuit. However, because of the expenses and risks involved and the possibility that we would be in court over this matter for a long time into the future, we felt it was in the company's best interest to remove the shadow of this potentially large, unknown factor. With this litigation resolved, our stature in credit markets and the investment community will improve, and we can focus on future opportunities.

On the management level, we have planned for this future progress by assuring a smooth and effective transition of executive leadership. Robert E. Flowerree will retire as chief executive officer at the shareholders meeting in May, while continuing as chairman of the board.

T. Marshall Hahn, Jr., president, has been elected chief operating officer and will become chief executive officer in May. Robert A. Schumacher, executive vice president – Northeast Division, has been elected executive vice president – pulp and paper with responsibility for all of the company's pulp and paper operations. James R. Kuse, senior vice president – Chemical Division, has overall responsibility for the

SGP 0029946

company's chemical operations. Stanley S. Dennison became executive vice president – building products on Harold E. Sand's retirement.

We anticipate a gradual but steady economic recovery and will closely monitor our performance and economic conditions with a view toward increasing the dividend according to our policy of paying out at least one-third of operating earnings as cash dividends.

T. Marshall Hahn, Jr. *Robert E. Flowerree*

The fourth-quarter dividend reduction to 60 cents per share annually was part of a comprehensive cost-reduction program that affected Georgia-Pacific employees as well as our shareholders. This program enabled us to come through a very tough economic period with our competitive abilities sharpened, rather than impaired.

We can all look forward to reaping the benefits of this competitive edge during the economic recovery that lies ahead.

Respectfully submitted,

Robert E. Flowerree

Robert E. Flowerree
Chairman and Chief Executive Officer

T Marshall Hahn, Jr

T. Marshall Hahn, Jr.
President and Chief Operating Officer

February 10, 1983

SGP 0029947

It's not true that you can't go home again, particularly when home is where the action is. As a small company, Georgia-Pacific moved its headquarters from Georgia to the Pacific Northwest in the 1950s, just as that region's plywood industry began its steep growth curve.

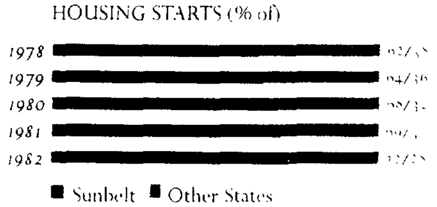
For the next quarter century, Georgia-Pacific was the nation's fastest-growing major corporation. We became the world's largest plywood producer and developed the country's leading building products distribution system. We now rank at or near the top in virtually every category of building products and also hold leading positions in many pulp, paper and chemical markets.

In 1982, this commitment to growth brought our corporate headquarters back to Georgia, to the focal point of today's growth sectors. The Sunbelt has truly become our company's new growth area as well as our country's most rapidly expanding region. Our Atlanta headquarters symbolizes this new era.

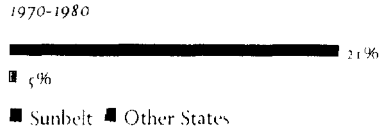
The Sunbelt's population has approximately doubled since 1950, with the growth rate reaching 21% during the 1970s, many times higher than the non-Sunbelt states. During this period, the Sunbelt accounted for two-thirds of all new jobs created in the United States, and the region remains a magnet for new industry. The 1970s also saw acceleration of the South's post-war transition from agriculture to industry and services, accompanied by rapidly rising incomes.

Important to Georgia-Pacific, the region's housing market has by far outpaced that of other areas. In 1982, the Sunbelt accounted for more than 70% of all housing starts, continuing what has become a major trend in this important market.

HOUSING STARTS (% of)



POPULATION GROWTH RATE
1970-1980

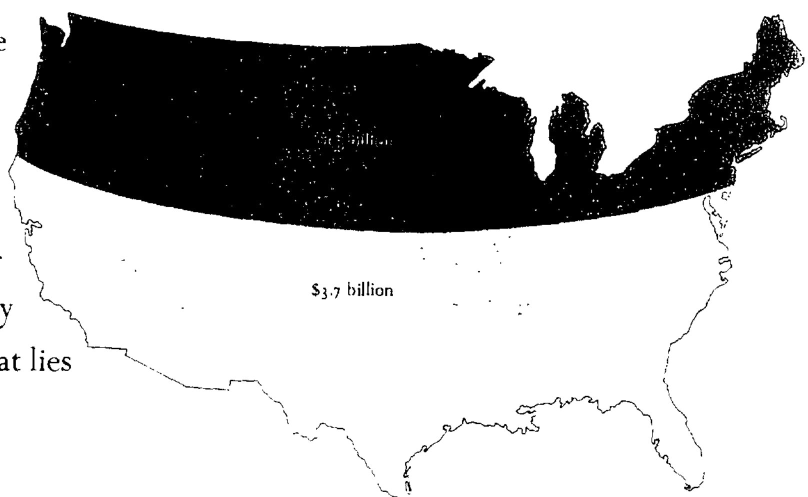


Georgia-Pacific has solidly established itself in this rapidly growing Sunbelt market. Beginning in the 1960s, we pioneered the production and marketing of Southern pine plywood, a product many said could not be made, and which now accounts for more than 85% of our almost four billion square feet of annual softwood plywood capacity. We support these plants with some three million acres of Southern timberlands, more than two-thirds of our U.S. holdings.

Approximately three-quarters of our U.S. assets are located in the Sunbelt, including 70 of our 87 wood product manufacturing facilities, as well as large pulp and paper installations in Arkansas, Louisiana, and Florida, and a major chemical complex south of Baton Rouge, La.

Georgia-Pacific also remains an important force on the West Coast, where we serve the western end of the Sunbelt as well as other Western markets with tremendous long-term potential. Our company has more than 800,000 acres of Western timberlands under long-term management and leading positions in several important industry sectors that enhance our competitive position in this region.

Although we do not anticipate another corporate headquarters move in the foreseeable future, we do intend to be wherever new opportunities present themselves and to participate fully in the economic progress that lies ahead.



GEORGIA-PACIFIC U.S. ASSETS
Sunbelt—74% ■ Other States—26%

SGP 0029949

BUILDING PRODUCTS

During 1982, Georgia-Pacific's building products business continued to generate more than $10 million in daily sales despite the worst industry conditions in modern times. This remarkable performance resulted from expansion in new markets, distribution of new products, and the completion of modern facilities.

We maintained our progress in remodeling and repair as a major supplier to home centers and to dealers who cater to professional and do-it-yourself remodelers. This market retains great potential for future growth, with remodeling and additions in the suburbs and the repair and rehabilitation of older structures in the cities. These projects favor products sold through our Distribution Division over competitive construction materials.

Harold L. Airington, Vice President—Wood Products Sales; Davis K. Mortensen, Vice President—Southern Division; Stanley S. Dennison, Executive Vice President—Building Products at the Hawthorne, Florida, plywood plant

We also continued to advance in commercial and industrial markets, where we have considerable room for further expansion. A directed effort to increase industrial accounts during the year resulted in many new customers for a wide range of products for such diverse uses as pallets, furniture, and truck bodies.

In the commercial area, more than 80% of the structures built are three stories or less, similar to a two-story house with a basement, a market where we have traditionally excelled. Commercial buildings also offer opportunities to expand sales of our new products as well as our traditional lines.

Our focus on the commercial market has helped us become a significant factor in the built-up roofing business almost overnight. These flat roofs predominate in commercial construction and can require repair or replacement in seven to 10 years, about twice as fast as shingled residential roofs, where we also continued our rapid growth as a supplier.

Our total roofing sales increased by approximately 40% in 1982, and we expect even better performance during 1983. A greater number of housing starts will increase roofing demand and many people who postponed reroofing during the recession will go ahead with the project as interest rates decline. Our efficient, modern plants give us a distinct advantage in the roofing business, where we expect healthy gains over the next several years.

Glenn E. Wilson, Vice President—Gypsum Division at the Hampton, Georgia, roofing plant

Our progress in roofing and the ability to move such large volumes of goods during one of the worst-ever years for building products result directly from our Distribution Division's marketing strength, which has grown during the recent period of high interest rates. The trend for customers to reduce financing costs by using a Georgia-Pacific distribution center as their warehouse has now firmly established itself as an industry practice.

John H. Dunkak, Senior Vice President — Western Division; George J. Ritchie, Vice President — Western Division, Wood Products Manufacturing at the Fort Bragg, California, sawmill

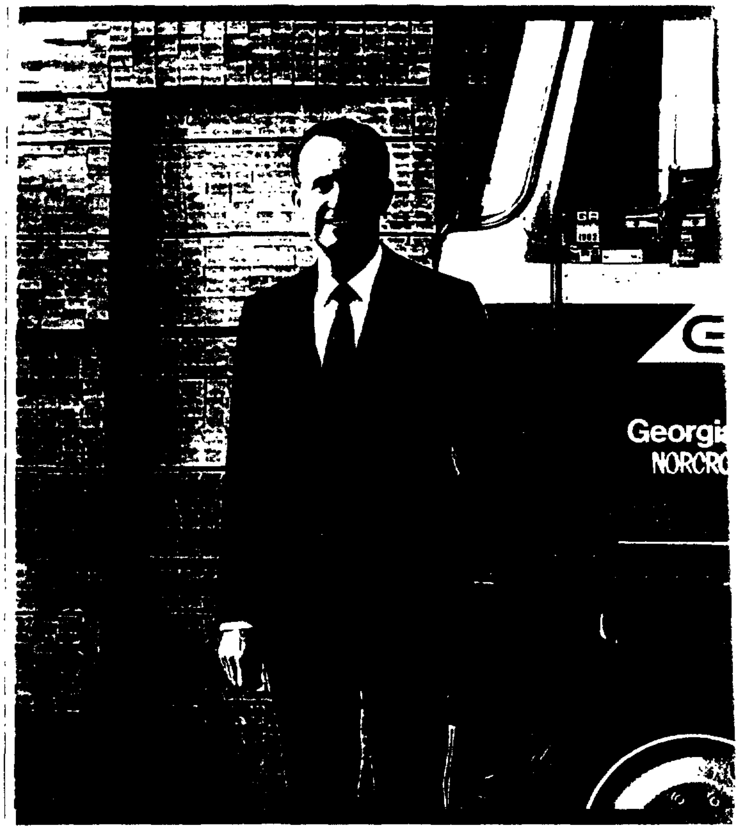
As a result, customers are now demanding a full line of building products at each center. To accommodate these demands, we consolidated several branches into larger centers during the year, bringing our nationwide total to 145, which is 13 less than a year earlier. The consolidations improved customer service, reduced costs, and allowed us to move further into such growth areas as insulation and fasteners.

This distribution strength meant we could run most of our mills and plants at close to capacity during 1982 and also allowed us to bring on line two state-of-the-art wood product facilities — a plywood plant at Hawthorne, Fla., and a sawmill at Ellabell, Ga.

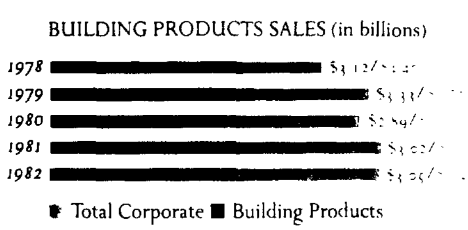
The Hawthorne facility is the southernmost plywood plant in the country and serves the large, fast-growing Florida market. With it, we are at the leading edge of plywood technology and are achieving maximum wood recovery at the lowest cost, making us a formidable competitor in this market.

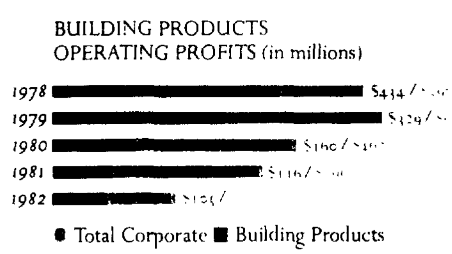
Our Southern pine sawmill at Ellabell is the most modern in the country and is patterned after our highly successful Fort Bragg, Calif., redwood and fir "quadmill." Ellabell's laser-guided twin quadmills serve the growing Southern market as well as increasing numbers of customers in Europe and the Caribbean.

These new products and modern facilities, supported by the Distribution Division's marketing power, will help maintain Georgia-Pacific's building products leadership in future years. We have adapted to the market environment of the 1980s and are already capitalizing on its trends and opportunities.



Ronald P. Hogan, Group Vice President—Distribution Division at the Atlanta building products distribution center





SGP 0029953

Pulp & Paper

Although 1982 was the year the recession caught up with the paper business, at Georgia-Pacific we continued to upgrade our products and facilities and to advance in several market sectors.

James E. Frew, Group Vice President—Pulp and Paper; Robert A. Schumacher, Executive Vice President—Pulp and Paper at the Palatka, Florida, pulp and paper mill

Market pulp sales were the hardest hit. The worldwide recession, the strength of the U.S. dollar in Europe, and the devaluation of Scandinavian currencies all combined to undercut demand for this country's market pulp. As a result, we curtailed production at various locations during the year. However, we did benefit from the 1981 acquisition of Inveresk, our British paper unit, which continued to be an excellent customer for our pulp production at Woodland, Maine.

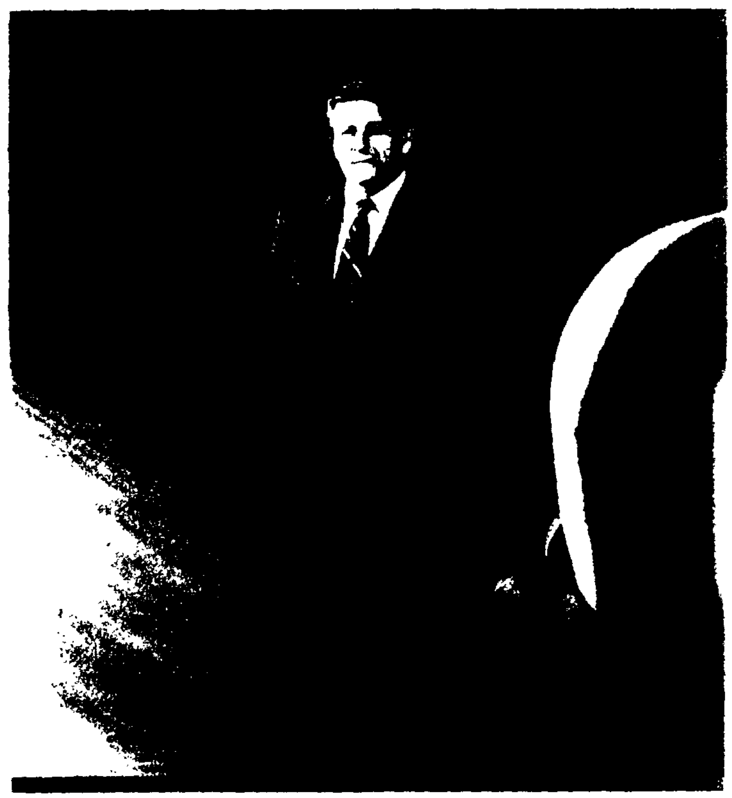
One notable achievement during 1982 was the completion of our pulp mill modernization at Crossett, Ark., which has transformed that mill into one of the industry's most efficient. The savings from this project exceeded our expectations during the first year of operation and will increase in future years.

SGP 0029954

We also benefited from the fine performance of new tissue equipment at Palatka, Fla., which includes a modern twin-wire machine and the equipment to convert its output into tissue and toweling. This equipment joined other modern facilities in Arkansas, New York, and Washington to help improve Georgia-Pacific's position in highly competitive tissue markets.

Our company outperformed the industry in 1982, with impressive gains in our *Coronet, Delta, Mr. Big, Hudson* and *M-D* branded products. We have successfully expanded the products from Palatka into new markets and new lines. People are responding to our "extra value" approach and our product line is gaining reputation with consumers and with the trade, which knows us as both a major brand-name and private-label tissue producer.

Our industrial tissue operations also made new gains during 1982 by expanding in its traditional business and industrial markets and by adding restaurant and hospital specialty accounts. Modernized equipment also



Conrad Schweitzer, Group Senior Vice President—Pulp and Paper at the Madera, California, corrugated container plant

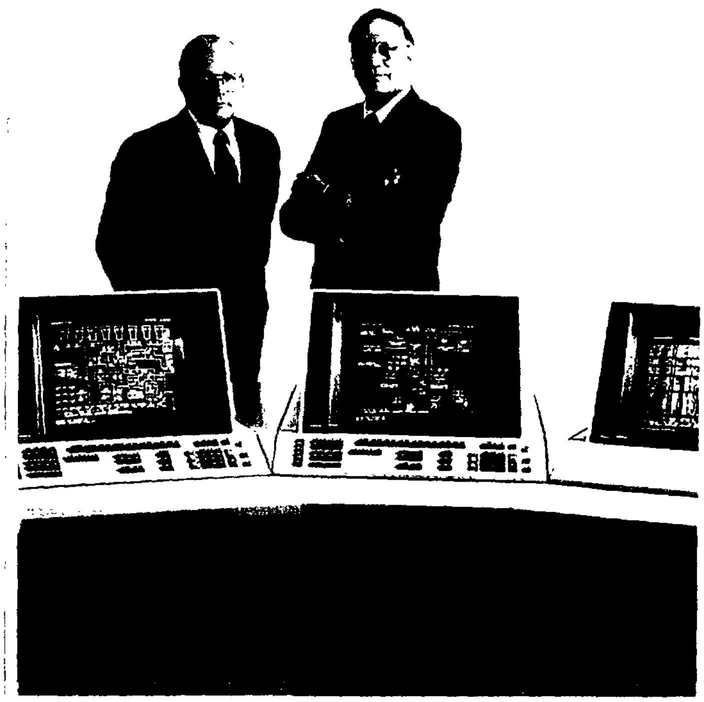
helped us cultivate new markets in the fine paper business, where we are now supplying carbonless base paper and release paper (which is used as backing for presensitized labels) and we are developing a new surface-treated product for the gravure printing trade and other customers.

These are exciting new products in rapid-growth sectors which contributed to profits and helped increase our share of the fine paper market in a very tough year. We are just beginning to develop the potential of our rebuilt equipment, which has greatly enhanced our competitive position.

Our Packaging Division also began developing potential of a different kind during 1982 by effectively integrating the recently acquired corrugated container facilities east of the Rockies into our existing operations. This gave Georgia-Pacific a nationwide packaging business, which has been one of our objectives in this sector. For many years we have been building a highly successful West Coast corrugated container business, where we have developed expertise in specialized products that gained us an enviable customer list and excellent returns. We are now extending this expertise eastward to benefit further from our abilities in this business.

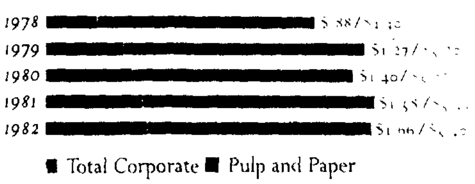
Although the corrugated container arena was highly competitive in 1982, the food and beverage market held up quite well and this is an area of strength for our western operations. The national representation provided by our Midwest and Southern acquisitions and the bulkpackaging specialties they brought us have opened up many new markets. A growing container business will add to Georgia-Pacific's position in pulp and paper during the economic upturn.

We expect to benefit from this upturn in all areas of our paper business. Our facilities are running better and more efficiently than ever before. Even with the dismal conditions of 1982, we largely succeeded in keeping our mills running and in attracting new buyers to our products, as well as continuing to serve existing customers. We have the production capabilities to expand profitably in our chosen markets during the economic recovery.

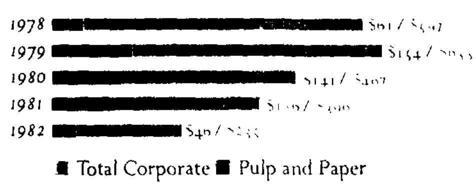


Carroll T. Tolar, Vice President—Engineering; Calvin R. Shaw, Senior Vice President—Crossett Division at the Crossett, Arkansas, pulp and paper mill

PULP AND PAPER SALES (in billions)



PULP AND PAPER
OPERATING PROFITS (in millions)



SGP 0029957

CHEMICALS

Georgia-Pacific's Chemical Division remained an important factor in our company's performance during 1982, although the effects of the low level of economic activity were readily apparent. Our own plants and mills continued to use significant quantities of our chemical and resin production. However, sales to outside customers suffered because of closures and curtailments.

We were able to increase our sales of polyvinyl chloride (PVC), despite the fact that we have no internal demand for this product. However, low PVC prices greatly affected this sector throughout most of the year, largely because of depressed conditions in construction and agricultural pipe markets. By year-end, prices for our PVC lines had begun to strengthen, suggesting further improvement during 1983.

Our success in broadening our PVC customer base and increasing our market share came through expansion in specialty PVC markets. Georgia-Pacific is

James R. Kuse, Senior Vice President — Chemical Division at the Plaquemine, Louisiana, chemical complex

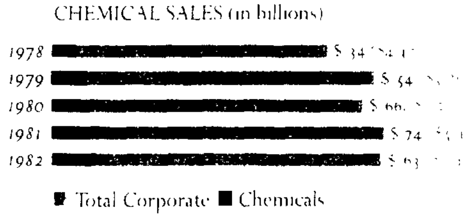
SGP 0029958

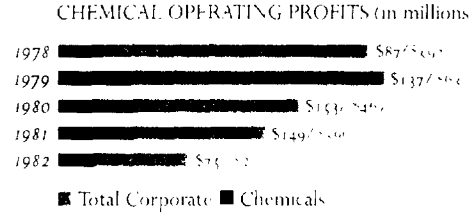
now manufacturing resin of excellent clarity for food-packaging film wrap, for hospital items such as medical tubing, and for a variety of products ranging from swimming pools to waterbeds. We have succeeded in producing these high-quality resins with modern large-reactor technology, making us a low-cost competitor in these higher-margin lines.

G-P also scored technological gains in an area of growing public attention with the development of low-emitting urea-formaldehyde resins used for interior plywood and other manufactured boards. In the area of exterior panels, we formulated some very effective phenolic-based resins for waferboard and oriented strandboard (OSB), two of G-P's newer products.

We experienced considerable interest in another of our newer patented products, *Korad* acrylic film, for a variety of protective, decorative and specialty applications. Another new G-P product, rosin size, which is used in papermaking, was a major success in the first year of production from our plant at Crossett, Ark. We became a major competitor in this market almost as soon as the plant started up.

Georgia-Pacific's leadership in thermosetting resins was strengthened by the resin plants acquired in 1981 which moved our company into new and growing industrial resin markets such as insulation, fiberglass shingle mats, laminates and veneers, filters, and many others.





SGP 0029959

We are also entering the growing insulation market from another direction with a plant to manufacture expandable polystyrene now under construction in Ohio. G-P's Distribution Division markets insulation board made of this material, which has many other uses as well. This plant will add a significant new dimension to our chemical business when it starts up in early 1984.

By that time, we anticipate that the economic recovery will be reflected in our Chemical Division's performance. Many of our products are related to the construction industry, which began to turn upward at the end of 1982. A great number of our new lines depend less on the building cycle, providing better balance and new opportunities for growth. Our efficient, modern facilities and the highly integrated nature of our operations make Georgia-Pacific an extremely effective competitor in all of our selected chemical markets.

Charles F. Mackey, Vice President—Plaquemine Division at the Plaquemine, Louisiana, chemical complex

SGP 0029960

The productivity of Georgia-Pacific's forest resource base continued to improve during 1982, with programs to upgrade our timber quality nationwide.

In the Northeast, where the budworm continues to ravage fir and spruce, we are reforesting infested areas with resistant hybrid larch and developing faster growth in the healthy stands through selective logging.

In the South, where independent nonindustrial owners hold most of the timberlands, we have been actively developing landowner assistance programs to help provide raw material for our plants and mills.

In Florida, we are altering the forest management practices on the timberlands acquired from Hudson Pulp & Paper to grow sawtimber as well as pulpwood, primarily by thinning the pine plantations at an early age for better growth. With larger trees, we can first use the harvest in our sawmills and plywood plants and then use the chips and residues for paper and other products.

In the West, we are upgrading the quality of our northern California timberlands by planting redwood in openings created

John E. Wishart, Vice President—Timber and Timberlands; Robert L. Goodwin, Vice President—Gas and Oil at an oil well in the Crossett Forest by the selective harvesting of mixed redwood and Douglas fir stands. In Oregon, we are re-establishing Douglas fir on suitable sites after harvesting the alder for logs and pulpwood.

We are continuing our own tree-genetics program and are also supporting university research that holds great promise for healthier, more abundant commercial forests.

Georgia-Pacific was active under the ground as well as above it during 1982, with natural gas discoveries in Texas and Louisiana. Our oil and gas potential will be further developed through centralization of all phases of oil, gas, and lignite management for G-P's North American timberlands at Exchange Oil & Gas. This new mineral management program will allow us to optimize utilization of these important resources.

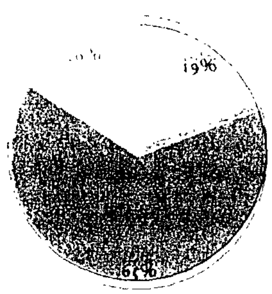
We have also been extending Georgia-Pacific's resource-management abilities into foreign markets, with increased exports and new facilities.

Our company plans to enter the paper business in the Far East in 1986 with completion of a kraft paper and linerboard mill in Indonesia. Georgia-Pacific is to own 25% of this venture, with the Indonesian government owning 50%, and a private Indonesian investor owning the remaining 25%. We anticipate our share will be supplied principally in the form of technology, equipment, and management. In our other Indonesian joint venture, we are increasing plywood capacity and helping to construct a resin plant that will supply the plywood operation and other customers.

In terms of exports, our new Ellabell, Ga., sawmill sent joinery grade timbers to Europe for use in such items as windows, doors, and cabinets. We also increased our European plywood exports and expect offshore sales of both plywood and lumber to increase when the European economy improves.

Over the longer term, the U.S. forest resource will almost certainly become one of our country's major assets in world trade. Georgia-Pacific's abundant timber resources, manufacturing expertise, and marketing strengths will make us a major participant in this trend.

Richard C. Newman, Vice President—International Division at the port in Savannah, Georgia

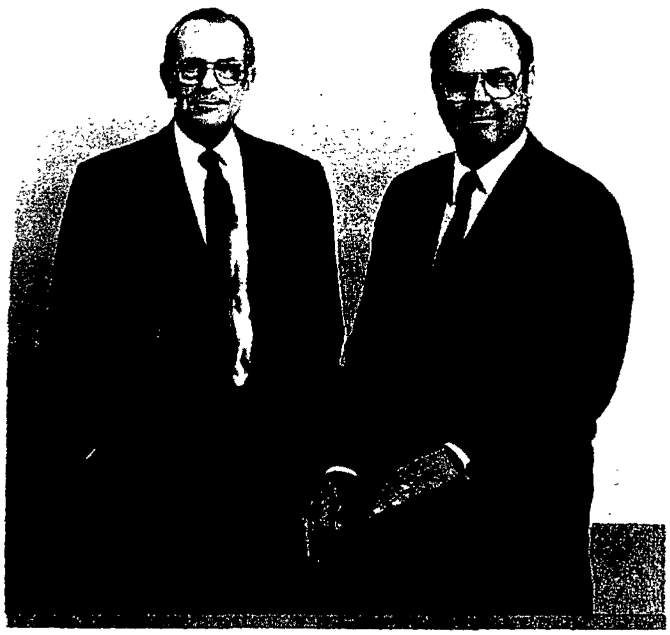


TIMBER RESOURCE BASE

North America (in acres)	
Owned in fee	4,630,000
Controlled	506,000
	5,136,000
Regional Timber Distribution	
Eastern U.S. and Canada	19%
Southern U.S.	65
Western U.S.	16
	100%

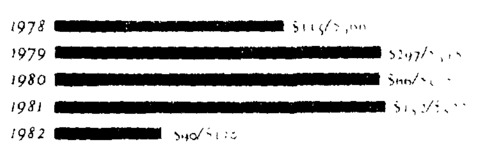
SGP 0029963

Thomas F. Mitchell, Vice President—Government Affairs; Mary A. McCravey, Vice President and Secretary; Stephen K. Jackson, Vice President—Advertising and Public Relations at the Atlanta Headquarters



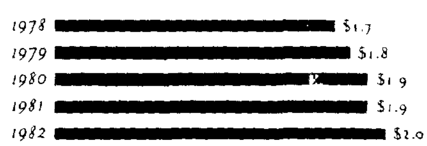
Marion L. Talmadge, Vice President and Treasurer; Joseph H. Joiner, Vice President and Controller at the Atlanta Headquarters

CAPITAL EXPENDITURES (in millions)

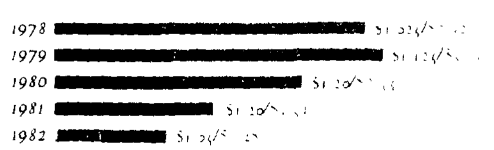


■ Plant additions—Property, Plant and Equipment ■ Natural resources

COMMON SHAREHOLDERS' EQUITY (in billions)

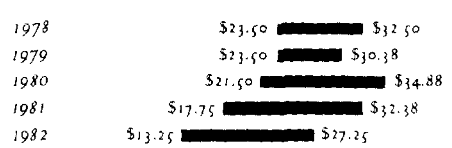


CASH DIVIDENDS AND EARNINGS PER SHARE



■ Before extraordinary items and accounting change in 1982 ■ Cash dividends

STOCK PRICE RANGE



In 1982, Georgia-Pacific effectively coped with an extremely difficult financial environment and two major one-time expenses by implementing a comprehensive cost-cutting program and with several other measures that strengthened our company's financial position.

During the first half, we sold tax benefits under the Economic Recovery Tax Act of 1981 for approximately $41 million. We also changed from the deferral to the flow-through method of accounting for investment tax credits, resulting in $130 million earnings effect.

Second-quarter earnings benefited from a $67 million sale of natural gas and condensate royalties on portions of our company's Port Hudson, La., acreage. Third-quarter earnings included $[illegible] million from an exchange of approximately 2.4 million common shares for the extinguishment of all further G-P obligations with respect to industrial development bonds with a principal amount of $62 million.

Earnings were reduced by two major one-time expenses. Settlement of the plywood litigation resulted in a $56 million after-tax charge and the Atlanta relocation resulted in a $29 million expense. Also, writedowns of certain facilities and other nonoperating costs accounted for a $33 million expense in the fourth quarter.

We improved cash flow by reducing operating expenses and capital budgets, deferring salary reviews for all salaried personnel, negotiating reasonable agreements with several unions, curtailing operations, and reducing the dividend in the fourth quarter to a 60 cent annual level, one-half the previous rate.

This cost-reduction program spread the burden of the recession equitably among the corporation's employees and shareholders. It allowed us to remain financially sound and competitive, and also put us in a position both to strengthen our financial balance sheet and to ease some of the program's spartan measures as the economic recovery proceeds.

Capital Expenditures (Dollar amounts in millions)

	1982	1981
Property, Plant and Equipment		
Building products		
New plants, distribution centers and equipment	$ 10	$ 98
Replacement and modernization	28	28
	38	126
Pulp and paper		
New plants and equipment	8	86
Replacement and modernization	57	177
	65	263
Chemicals		
New plants and equipment	22	39
Replacement and modernization	11	56
	33	95
Other	7	12
Corporate	27	26
Total property, plant and equipment	170	522
Natural Resources		
Timber and timberlands	42	112
Natural gas and oil properties	48	40
Total natural resources	90	152
Total capital expenditures	$260	$674

SGP 0029965

Sales and Operating Profits by Industry Segment (Dollar amounts in millions)

										Year ended December 31
	1982		1981		1980		1979		1978	
Trade Sales to Unaffiliated Customers										
Building products										
Plywood and specialties	**$1,217**	**23%**	$1,230	23%	$1,154	23%	$1,338	26%	$1,343	30%
Lumber	**1,003**	**18**	1,017	19	993	20	1,283	25	1,178	27
Gypsum	**182**	**3**	193	3	196	4	229	4	203	5
Other	**647**	**12**	582	11	543	11	478	9	393	9
	3,049	**56**	3,022	56	2,886	58	3,328	64	3,117	71
Pulp, paper and paperboard										
Containers and packaging	**605**	**11**	569	10	519	10	462	9	286	7
Printing and specialty	**437**	**8**	375	7	267	5	269	5	244	5
Tissue	**429**	**8**	388	7	369	8	334	7	215	5
Market pulp	**187**	**4**	248	5	245	5	204	4	130	3
	1,658	**31**	1,580	29	1,400	28	1,269	25	875	20
Chemicals	**628**	**12**	738	14	661	13	542	10	344	8
Other operations	**67**	**1**	74	1	69	1	68	1	67	1
	$5,402	**100%**	$5,414	100%	$5,016	100%	$5,207	100%	$4,403	100%
Operating Profits										
Building products	**$ 105**	**45%**	$ 116	29%	$ 160	34%	$ 329	52%	$ 434	73%
Pulp, paper and paperboard	**46**	**19**	116	29	141	30	154	24	61	10
Chemicals	**75**	**32**	149	38	153	33	137	22	87	15
Other operations	**9**	**4**	15	4	13	3	13	2	15	2
	$ 235	**100%**	$ 396	100%	$ 467	100%	$ 633	100%	$ 597	100%

Trade sales exclude intercompany sales, but income on such sales is included in operating profits.

Additional information regarding industry segments is presented in Note 6 of the Notes to Financial Statements on page 30

STATEMENTS OF INCOME

Dollar amounts and shares are in thousands

	Year ended December 31		
	1982	1981	1980
Net sales	$5,402,000	$5,414,000	$5,016,000
Costs and expenses			
Cost of sales (Note 1)	4,475,000	4,455,000	4,018,000
Selling, general and administrative (Note 2)	394,000	327,000	301,000
Depreciation and depletion (Notes 1, 2 and 5)	356,000	277,000	267,000
Interest (Note 1)	186,000	125,000	79,000
Other income, net (Note 2)	(76,000)	—	—
	5,335,000	5,184,000	4,665,000
Income before income taxes, extraordinary items and cumulative effect of accounting change	67,000	230,000	351,000
Provision for income taxes (Note 3)	15,000	70,000	108,000
Income before extraordinary items and accounting change	52,000	160,000	243,000
Litigation settlement, net of taxes (Note 10)	(56,000)	—	—
Gain on exchange of bonds (Note 4)	27,000	—	—
Cumulative effect of change in accounting for investment tax credits (Note 5)	130,000	—	—
Net income	$ 153,000	$ 160,000	$ 243,000
Per common share — Primary (Note 1)			
Income before extraordinary items and accounting change	$ .48	$ 1.51	$ 2.33
Litigation settlement	(.52)	—	—
Gain on exchange of bonds	.25	—	—
Accounting change	1.23	—	—
Net income	$ 1.44	$ 1.51	$ 2.33
Per common share — Fully diluted (Note 1)			
Income before extraordinary items and accounting change	$ .50	$ 1.49	$ 2.27
Litigation settlement	(.51)	—	—
Gain on exchange of bonds	.24	—	—
Accounting change	1.19	—	—
Net income	$ 1.42	$ 1.49	$ 2.27

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

Dollar amounts and shares are in thousands

	December 31	
Assets	1982	1981
Current assets		
Cash	$ 36,000	$ 30,000
Receivables, less allowances of $15,000 and $11,000	572,000	503,000
Inventories (Note 1)	699,000	717,000
Refundable income taxes	—	50,000
Prepaid expenses	23,000	23,000
	1,330,000	1,323,000
Natural resources (Notes 1 and 7)		
Timber and timberlands	748,000	752,000
Coal, minerals, natural gas and oil	151,000	120,000
	899,000	872,000
Property, plant and equipment (Notes 1, 3 and 7)		
Land, buildings, machinery and equipment, at cost	4,642,000	4,513,000
Accumulated depreciation	(1,840,000)	(1,732,000)
	2,802,000	2,781,000
Other assets (Note 12)	119,000	84,000
	$5,150,000	$5,060,000

The accompanying notes are an integral part of these financial statements.

SGP 0029968

Liabilities and shareholders' equity	December 31 1982	1981
Current liabilities		
Commercial paper and other short-term notes (Note 7)	**$ 195,000**	$ 150,000
Current portion of long-term debt	**63,000**	292,000
Accounts payable	**340,000**	295,000
Accrued compensation	**62,000**	61,000
Current income taxes	**5,000**	—
Other current liabilities	**113,000**	96,000
	778,000	894,000
Long-term debt, excluding current portion (Note 7)	**1,618,000**	1,487,000
Deferred income taxes (Note 3)	**550,000**	545,000
Employee stock purchase plan (Note 9)	**6,000**	5,000
Redeemable preferred stock (Note 8)		
Adjustable rate convertible preferred stock, without par value, authorized 10,000 shares (involuntary liquidating value $39.00 per share)		
Shares issued and outstanding		
Series A, 4,141	**145,000**	142,000
Series B, 957	**32,000**	31,000
Series C, 1,343	**32,000**	30,000
	209,000	203,000
Common shareholders' equity (Notes 4, 7 and 9)		
Common stock, par value $.80; authorized 150,000 shares; 103,289 and 103,277 shares issued	**83,000**	83,000
Additional paid-in capital	**989,000**	1,028,000
Retained earnings	**978,000**	950,000
Less — Common stock held in treasury, at cost; 1,953 and 4,340 shares	**(61,000)**	(135,000)
	1,989,000	1,926,000
	$5,150,000	$5,060,000

STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

Dollar amounts and shares are in thousands

Common Stock Issued	Common Stock Treasury	(Notes 4, 7 and 9)	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
103,054	4,447	**Balance at December 31, 1979**	$1,786,000	$82,000	$1,023,000	$819,000	$(138,000)
		Net income	243,000			243,000	
		Cash dividends declared					
		Common stock	(118,000)			(118,000)	
		Preferred stock	(12,000)			(12,000)	
215	(8)	Common stock issued	5,000		5,000		
	39	Common stock purchased					
		Other	(4,000)			(4,000)	
103,269	4,478	**Balance at December 31, 1980**	1,900,000	82,000	1,028,000	928,000	(138,000)
		Net income	160,000			160,000	
		Cash dividends declared					
		Common stock	(119,000)			(119,000)	
		Preferred stock	(13,000)			(13,000)	
8	(138)	Common stock issued	4,000	1,000			3,000
		Other	(6,000)			(6,000)	
103,277	4,340	**Balance at December 31, 1981**	1,926,000	83,000	1,028,000	950,000	(135,000)
		Net income	153,000			153,000	
		Cash dividends declared					
		Common stock	(104,000)			(104,000)	
		Preferred stock	(15,000)			(15,000)	
		Market value of common stock					
	(2,387)	issued from treasury	35,000		(39,000)		74,000
12		Other	(6,000)			(6,000)	
103,289	1,953	**Balance at December 31, 1982**	$1,989,000	$83,000	$ 989,000	$978,000	$ (61,000)

The accompanying notes are an integral part of these financial statements

SGP 0029970

Statements of Changes in Financial Position

Dollar amounts and shares are in thousands

	Year ended December 31		
	1982	1981	1980
Sources of working capital			
Income before extraordinary items and accounting change	$ 52,000	$ 160,000	$243,000
Items in income not affecting working capital			
Depreciation	293,000	223,000	211,000
Depletion	63,000	54,000	56,000
Deferred income taxes (Note 3)	5,000	118,000	54,000
Total from operations	413,000	555,000	564,000
Litigation settlement, net of taxes (Note 10)	(56,000)	—	—
Items in litigation settlement not affecting working capital	81,000	—	—
	25,000	—	—
Gain on exchange of bonds (Note 4)	27,000	—	—
Items in gain on exchange of bonds not affecting working capital			
Market value of common stock issued from treasury	35,000	—	—
Face value of industrial revenue bonds defeased	(62,000)	—	—
	—	—	—
Cumulative effect of change in accounting for investment tax credits (Note 5)	130,000	—	—
Items in accounting change not providing working capital	(130,000)	—	—
	—	—	—
Additions to long-term debt (Note 7)	295,000	555,000	180,000
Stock issued for acquisitions	—	32,000	5,000
Total sources of working capital	733,000	1,142,000	749,000
Uses of working capital			
Cash dividends declared	119,000	132,000	130,000
Long-term debt payments and current maturities (Note 7)	183,000	295,000	62,000
Capital additions, net			
Timber and timberlands	42,000	112,000	44,000
Coal, minerals, natural gas and oil	48,000	40,000	22,000
Property, plant and equipment	170,000	522,000	518,000
Other	48,000	20,000	12,000
Total uses of working capital	610,000	1,121,000	788,000
Increase (decrease) in working capital	$123,000	$ 21,000	$(39,000)
Changes in working capital			
Increase (decrease) in current assets			
Cash	$ 6,000	$ (2,000)	$ 10,000
Receivables	69,000	(32,000)	33,000
Inventories	(18,000)	100,000	32,000
Refundable income taxes	(50,000)	50,000	—
Prepaid expenses	—	12,000	(3,000)
	7,000	128,000	72,000
(Increase) decrease in current liabilities			
Commercial paper and other short-term notes	(45,000)	125,000	(116,000)
Current portion of long-term debt	229,000	(248,000)	26,000
Accounts payable and accrued liabilities	(63,000)	(22,000)	(15,000)
Current income taxes	(5,000)	38,000	(6,000)
	116,000	(107,000)	(111,000)
Increase (decrease) in working capital	$123,000	$ 21,000	$(39,000)

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

NOTE 1. Summary of Significant Accounting Policies

Principles of Consolidation.
The consolidated financial statements include the accounts of Georgia-Pacific Corporation and subsidiaries (corporation). The investment in GA-MET (Note 12) is accounted for by the equity method. All significant intercompany balances and transactions are eliminated in consolidation.

Income per Share of Common Stock.
Primary income per share of common stock has been computed based on the weighted average number of shares outstanding, assuming conversion of the convertible preferred stock and issuance of shares under stock option and stock purchase plans. The average number of shares used in the computation for primary income per share was 106,370 in 1982, 105,400 in 1981 and 104,000 in 1980. Fully diluted income per share of common stock, in addition, assumes conversion of the convertible subordinated debentures. The average number of shares used in the computation for fully diluted income per share was 110,220 in 1982; 109,450 in 1981 and 108,050 in 1980.

Inventory Valuation.
The last-in, first-out (LIFO) method of inventory valuation is utilized for the majority of inventories at manufacturing facilities and the corporation's manufactured inventories located at its building products distribution centers. The average cost method is used for all other inventories.

Inventories are valued at the lower of cost or market as follows.

	December 31	
	1982	1981
LIFO	**$314,000**	$307,000
Average cost	**385,000**	410,000
	$699,000	$717,000

The corporation uses the dollar value pool method for computing LIFO inventories; therefore, it is not possible to present a breakdown of inventories between finished goods, raw materials and supplies. Inventory costs include cost of materials, labor and plant overhead.

If LIFO inventories were valued at the lower of average cost or market, the inventories would have been $137,000 and $139,000 higher than those reported at December 31, 1982 and 1981, respectively.

Property.
Property and equipment are recorded at cost. Lease obligations for which the corporation assumes substantially all the property rights and risk of ownership are capitalized. Replacements of major units of property are capitalized and the replaced properties retired. Maintenance, repairs and replacements of minor units of property are charged to expense as incurred.

Provisions for depreciation of buildings, machinery and equipment are computed on the straight-line or units-of-production method using composite rates based upon estimated service lives of the various units of property. The ranges of composite rates for the principal classes are: land improvements — 5% to 7%; buildings — 2% to 5% and machinery and equipment — 5% to 20%.

No gain or loss is recognized on normal property dispositions; property cost is credited to the property accounts and charged to the accumulated depreciation accounts and any proceeds are credited to the accumulated depreciation accounts. When there are abnormal dispositions of property, the cost and related depreciation amounts are removed from the accounts and any gain or loss is reflected in income.

The corporation amortizes its timber costs over the total fiber that will be available during the estimated growth cycle. Timber carrying costs are expensed as incurred.

All costs of exploring for and developing domestic oil and gas reserves are capitalized using the full-cost method of accounting and charged to operations on the basis of units-of-production over the estimated future production from proven reserves.

The corporation capitalizes interest on borrowed funds during construction periods. Such interest is charged to the property, plant and equipment accounts and amortized over the approximate life of the related assets in order to properly match expenses with revenues resulting from the facilities. Interest capitalized and the impact on net income was:

Dollar amounts and shares are in thousands

	Year ended December 31		
	1982	1981	1980
Total interest costs	**$209,000**	$198,000	$138,000
Interest costs capitalized	**(23,000)**	(73,000)	(59,000)
Interest expense	**$186,000**	$125,000	$ 79,000
Increase in net income after giving effect to amortization of capitalized interest and income taxes	**$ —**	$ 28,000	$ 24,000

The corporation defers net operating costs on new construction projects during the start-up phase and amortizes the deferral over approximately seven years. The amounts deferred are included in the property, plant and equipment accounts. The amounts deferred for new project start-up costs were $3,000, $23,000 and $19,000 in 1982, 1981, and 1980, respectively.

Effects of Inflation.
"Effects of Inflation Supplementary Information" beginning on page 39 contains disclosures on the effects of inflation and changing prices on the corporation's operations determined by constant dollar and current cost methodologies.

NOTE 2. Other Income/Expense

In 1982, the corporation received $41,000 from the sale of certain tax benefits as provided for under the Economic Recovery Tax Act of 1981. Also in 1982, the corporation sold, for approximately 67,000, its 24.75 percent royalty interest on certain portions of its acreage in Port Hudson field, a producing gas/condensate field in East Baton Rouge Parish, Louisiana. This income is included in Other income, net.

The corporation completed in 1982 the relocation of its corporate office to Atlanta, Georgia. The corporation expensed relocation costs of $29,000 in 1982 which are included in Other income, net.

Additionally, the corporation expensed approximately $33,000 in the fourth quarter of 1982 related primarily to writedowns of certain facilities to net realizable value. These expenses have been charged primarily to "Selling, general and administrative expenses" and "Depreciation and depletion expense."

NOTE 3. Income Taxes

The provision for income taxes is based on pretax financial accounting income which differs from taxable income. Differences generally arise because certain items, such as depreciation and capitalized interest, are reflected in different time periods for financial accounting and tax purposes.

Investment tax credits realized on the purchase of qualifiable assets were previously recorded on the deferral method and recorded as an addition to accumulated depreciation and were being amortized to income as a reduction of depreciation expense over seven years. For tax purposes, the full credit earned was used to reduce current Federal income taxes payable. Investment tax credits amortized into income as a reduction of depreciation expense amounted to $26,000 in 1981 and $21,000 in 1980. Effective January 1, 1982, the corporation began recognizing investment tax credits (Note 5) as a reduction of income tax expense.

The provision for income taxes consists of the following:

	1982	1981	1980
Federal income taxes, net of investment tax credit			
Current (benefit)	**$ 8,000**	$(93,000)	$ 5,000
Deferred	**5,000**	118,000	54,000
State income taxes (benefit)	**2,000**	(4,000)	9,000
Charge equivalent to investment tax credit	**—**	49,000	40,000
	$ 15,000	$ 70,000	$108,000

The difference between the ordinary Federal income tax rate and the corporation's effective income tax rate is summarized as follows:

	1982	1981	1980
Federal income tax rate	**46%**	46%	46%
Increase (decrease) as a result of			
Investment tax credit	**(20)**	—	—
Value of timber appreciation taxed at capital gains rate	**—**	(10)	(12)
State income taxes, net of Federal benefit	**3**	2	2
Investment credit amortization	**—**	(6)	(3)
Other	**(7)**	(2)	(2)
	22%	30%	31%

Components of the deferred tax provision are as follows:

	1982	1981	1980
Excess of tax depreciation over financial depreciation	$ 58,000	$ 64,000	$ 32,000
Reversal of deferred income taxes due to recognition of investment tax credits	(50,000)	—	—
Capitalized interest, net	—	24,000	15,000
Deferred start-up costs, net	—	9,000	—
Exploration and development costs capitalized for financial purposes	12,000	9,000	—
Sale of tax benefits	9,000	—	—
Write down of certain assets	(21,000)	—	—
Other	(3,000)	12,000	7,000
	$ 5,000	$118,000	$ 54,000

Approximately $50,000 of investment tax credits recognized for financial reporting purposes is available to reduce income taxes to be paid in future years.

NOTE 4. Gain on Exchange of Bonds

In August 1982, the corporation exchanged approximately 2,400 shares of common stock held in treasury for the extinguishment of all further obligations with respect to industrial revenue refunding bonds, Series 1977, issued by the City of Crossett, Arkansas. The bonds had a principal amount of $61,900. As a result of the transaction, the corporation realized a tax-free extraordinary gain of $27,000.

NOTE 5. Change in Accounting Policy

The corporation adopted, as of January 1, 1982, the flow-through method of accounting for investment tax credits. Under the flow-through method, investment tax credits are reflected in net income in the year the qualified investment is made, rather than by amortizing the credits over the estimated lives of the equipment. The corporation previously followed the deferral method. This change was made because management believes that the flow-through method in financial reporting is more consistent with that of most industrial companies and particularly those companies in the forest products industry. Additionally, this change will make the accounting treatment of investment tax credits consistent with the required accounting for the sale of tax benefits.

If the flow-through method had been in effect, 1981 and 1980 net income would have been increased by $14,000 (13¢ per share) and $19,000 (18¢ per share), respectively. Quarterly net income per share for 1981 would have increased as follows: first quarter 5¢, second quarter 3¢, third quarter 2¢, and 3¢ in the fourth quarter.

NOTE 6. Industry Segment Information

Intersegment sales are recorded at estimated fair market values. Timber and timberlands have not been allocated to industry segments because they are managed jointly to supply raw materials to all forest products segments. Logs and residual fibers are included at cost in the operating profits of the various manufacturing facilities. Sales to foreign markets were less than 10% of total sales to unaffiliated customers in 1980 through 1982. Also, no single customer accounted for more than 10% of sales to unaffiliated customers. For additional information regarding industry segments, see "Sales and Operating Profits by Industry Segment" on page 22.

As a result of the accounting change for investment tax credits (Note 5), depreciation and depletion expense (Note 3) in 1982 was greater. Depreciation expense for each of the corporation's segments would have increased by the following amounts if the change had been applied retroactively:

	1981	1980
Building products	$ 6,000	$ 7,000
Pulp, paper and paperboard products	12,000	9,000
Chemicals	8,000	5,000
Total	$26,000	$21,000

The writedown of certain facilities to net realizable value (Note 2) affected the earnings of the segments in the fourth quarter of 1982 by the following amounts: Building products $8,000; Pulp, paper and paperboard products $3,000; Chemicals $2,000; Other operations $8,000; and Corporate $12,000.

SGP 0029974

Dollar amounts and shares are in thousands

	Sales to Unaffiliated Customers	Inter-segment Sales	Total Revenues	Earnings	Depreciation and Depletion	Capital Expenditures	Assets
							Year ended December 31, 1982
Building products	$3,049,000	$ 37,000	$3,086,000	$ 105,000	$148,000	$ 38,000	$1,478,000
Pulp, paper and paperboard products	1,658,000	41,000	1,699,000	46,000	109,000	65,000	1,580,000
Chemicals	628,000	94,000	722,000	75,000	77,000	81,000	1,025,000
Other operations	67,000	2,000	69,000	9,000	13,000	7,000	73,000
Total operations	5,402,000	174,000	5,576,000	235,000	347,000	191,000	4,156,000
Eliminations and adjustments							
Intersegment sales	—	(174,000)	(174,000)	—	—	—	—
Timber and timberlands	—	—	—	—	—	42,000	748,000
Other income, net (Note 2)	—	—	—	76,000	—	—	—
General corporate	—	—	—	(58,000)	9,000	27,000	246,000
Interest expense	—	—	—	(186,000)	—	—	—
Income taxes	—	—	—	(15,000)	—	—	—
Consolidated totals	$5,402,000	$ —	$5,402,000	$ 52,000	$356,000	$260,000	$5,150,000
							Year ended December 31, 1981
Building products	$3,022,000	$ 48,000	$3,070,000	$ 116,000	$135,000	$126,000	$1,434,000
Pulp, paper and paperboard products	1,580,000	43,000	1,623,000	116,000	78,000	263,000	1,602,000
Chemicals	738,000	97,000	835,000	149,000	54,000	135,000	947,000
Other operations	74,000	2,000	76,000	15,000	5,000	12,000	97,000
Total operations	5,414,000	190,000	5,604,000	396,000	272,000	536,000	4,080,000
Eliminations and adjustments							
Intersegment sales	—	(190,000)	(190,000)	—	—	—	—
Timber and timberlands	—	—	—	—	—	112,000	752,000
General corporate	—	—	—	(41,000)	5,000	26,000	228,000
Interest expense	—	—	—	(125,000)	—	—	—
Income taxes	—	—	—	(70,000)	—	—	—
Consolidated totals	$5,414,000	$ —	$5,414,000	$ 160,000	$277,000	$674,000	$5,060,000
							Year ended December 31, 1980
Building products	$2,886,000	$ 48,000	$2,934,000	$ 160,000	$130,000	$143,000	$1,403,000
Pulp, paper and paperboard products	1,400,000	48,000	1,448,000	141,000	78,000	213,000	1,316,000
Chemicals	661,000	84,000	745,000	153,000	50,000	169,000	894,000
Other operations	69,000	2,000	71,000	13,000	4,000	4,000	64,000
Total operations	5,016,000	182,000	5,198,000	467,000	262,000	529,000	3,677,000
Eliminations and adjustments							
Intersegment sales	—	(182,000)	(182,000)	—	—	—	—
Timber and timberlands	—	—	—	—	—	44,000	682,000
General corporate	—	—	—	(37,000)	5,000	11,000	153,000
Interest expense	—	—	—	(79,000)	—	—	—
Income taxes	—	—	—	(108,000)	—	—	—
Consolidated totals	$5,016,000	$ —	$5,016,000	$ 243,000	$267,000	$584,000	$4,512,000

[1]Before extraordinary items and accounting change in 1982

SGP 0029975

NOTE 7. Indebtedness

Long-term debt consists of the following:

	1982	1981
Banks		
8¼% term loans, payable in equal annual installments, 1986 through 1988	$ 150,000	$ 150,000
10½% term loans, payable in equal semiannual installments through 1984	3,000	5,000
11¼% term loans, due 1982	—	140,000
Foreign bank revolver	—	75,000
Other—average interest rate 11.6% payable in varying installments through 1991	63,000	65,000
Commercial paper	398,000	323,000
Notes		
6⅞% due 1982	—	100,000
7¼% due 1985	100,000	100,000
10.10% due 1990	150,000	150,000
Floating rate, currently 10.7% maturing at holders' option in 1984, due 1987	150,000	150,000
14⅝% due 1987	65,000	—
15.37% due 1988	75,000	—
Insurance companies		
6⅝% term loans, payable annually in installments through 1989	13,000	15,000
5¾% term loans, payable annually in installments through 1987	30,000	36,000
6⅛% term loan, payable annually in installments through 1982	—	2,000
9⅜% term loan, payable annually in installments through 1997	8,000	8,000
10½% term loans, payable annually in installments through 1996	5,000	5,000
10⅔% term loans, payable annually in installments through 1996	39,000	40,000
Revenue bonds, average interest rate 6.3% with varying annual payments to 2007	120,000	181,000
Purchase contracts and other, average interest rate 8.0% with varying annual payments to 2003	94,000	109,000
5¼% convertible subordinated debentures	119,000	125,000
Litigation settlement	99,000	—
	1,681,000	1,779,000
Less current portion	63,000	292,000
	$1,618,000	$1,487,000

The scheduled payments of long-term debt are $63,000 in 1983, $266,000 in 1984, $234,000 in 1985, $118,000 in 1986 and $171,000 in 1987.

The corporation has two Revolving Credit and Term Loan Agreements (a domestic agreement and a foreign agreement) totaling $650,000.

The domestic revolver with 24 banks establishes an unsecured revolving line of credit totaling $300,000 until December 1, 1984, at which time the outstanding balance will be converted to a term loan repayable in eight semiannual installments beginning on June 1, 1985. Commitment fees during the revolving loan period will be ⅜ of 1 percent per annum of the unused available credit. The interest rates associated with this agreement are based on either the prime rate, certificate of deposit rate or the offshore rate. At December 31, 1982, no funds were borrowed from the banks under this agreement. This agreement supports commercial paper outstanding.

The foreign revolver with 13 European and Canadian banks establishes an unsecured revolving line of credit totaling $350,000 until December 7, 1984, at which time the outstanding balance will be converted to a term loan repayable in ten equal semiannual installments beginning June 7, 1985. Commitment fees during the revolving loan period will be ¼ of 1 percent per annum of the unused available credit. The agreement provides for either domestic or Eurodollar borrowings at the corporation's option. The interest rate associated with this agreement for domestic borrowings is based on either the prime rate or the Federal funds rate. The interest rate on Eurodollar borrowings is based on the Libor rate. No funds were borrowed from the banks under this agreement at December 31, 1982.

Restrictive covenants included in both agreements are substantially the same as those pertaining to the corporation's other bank agreements. There are no prepayment penalties in either agreement.

The $150,000 floating rate notes are convertible by the holder, prior to April 1, 1987, into 8½% debentures due 2009. The notes are not redeemable prior to October 1, 1984. On and after such date, the notes are redeemable in whole or in part, at the option of the corporation. At any time prior to April 1, 1987, the corporation may convert the notes into fixed rate debentures due 2009 at a defined premium over the yield on 30-year Treasury securities, but not less than 8½%. The conversion by the corporation is subject to the election by the holder to have the notes mature on the specified conversion date. The interest rate on the notes is adjustable semiannually to a rate based upon the six-month treasury bill rate plus a specified premium.

In April 1982, the corporation, through a wholly-owned subsidiary, issued U.S. $65,000 14⅝% notes due April 15, 1987 with warrants (130 thousand) to purchase U.S. $130,000

SGP 0029976

Dollar amounts and shares are in thousands

15% notes due April 15, 1990. As of December 31, 1982, $320 of the 15% notes have been issued. There were 125 thousand warrants outstanding at December 31, 1982. The warrants expire on April 15, 1984.

In May 1982, the corporation through a wholly-owned subsidiary, received U.S. $75,000 from a Swiss Franc loan with two European banks. The loan has an effective interest rate of 15.37% and is due December 1, 1988. The loan has been fully hedged for currency fluctuations.

The 5¼% convertible subordinated debentures mature in 1996. The debentures are convertible into common stock at $30.87 per share at December 31, 1982. Additionally, the Indenture provides for a sinking fund for the redemption on April 1, in each of the years 1983 through 1995, of not less than 5% nor more than 10% of debentures outstanding on April 1, 1981.

At December 31, 1982, $123,000 of long-term debt was secured by property and timber with a net book value of $182,000, including $119,000 (original cost $250,000) relating to certain manufacturing and pollution control facilities which were financed with the proceeds from revenue bonds issued by governmental units and guaranteed by the corporation. The corporation leases such facilities from the governmental units and pays all costs incidental to ownership of the properties.

Certain loan agreements place a limitation on cash dividends that can be paid. As of December 31, 1982, the amount of retained earnings available for cash dividends under the most restrictive covenants of the loan agreements is approximately $320,000. In addition, certain agreements require the corporation to maintain a minimum of $250,000 of consolidated working capital and impose limitations on additional borrowings.

The corporation had at December 31, 1982, separate arrangements with a number of banks providing for (i) revolving lines of credit, aggregating $280,000, that require 15 months written notice of cancellation by a participating bank and (ii) seasonal standby lines of credit, aggregating $70,000. None of the lines carry commitment fees or long-term conversion features. The corporation has agreed to maintain bank deposits on an annual average basis amounting to approximately 3½% of the revolving lines plus 3½% of all loans outstanding thereunder.

The corporation uses the lines of credit and the domestic revolver to support commercial paper and master note borrowings. At December 31, 1982 the corporation had classified $398,000 of commercial paper with an interest rate of 9.4% as long-term debt. It is the corporation's intention to refinance the commercial paper with long-term debt.

NOTE 8. Redeemable Preferred Stock

	Adjustable Rate Convertible Preferred Stock			
	Series A	Series B	Series C	Total
Balance, December 31, 1979	$136,000	$29,000	$ —	$165,000
Amortization of the excess involuntary liquidating value over fair value at acquisition date	3,000	1,000	—	4,000
Balance, December 31, 1980	139,000	30,000	—	169,000
Stock issued for acquisition	—	—	28,000	28,000
Amortization of the excess involuntary liquidating value over fair value at acquisition date	3,000	1,000	2,000	6,000
Balance, December 31, 1981	142,000	31,000	30,000	203,000
Amortization of the excess involuntary liquidating value over fair value at acquisition date	3,000	1,000	2,000	6,000
Balance, December 31, 1982	$145,000	$32,000	$32,000	$209,000

The adjustable rate convertible preferred stock ("preferred stock") is recorded at fair value on the date of issue. The excess of involuntary liquidating value over such fair value is amortized over a 10-year period by a charge to retained earnings and corresponding credit to preferred stock.

Each share of preferred stock is entitled to receive cumulative quarterly cash dividends at the annual rate of $2.24. Such dividend rate is subject to increase up to a maximum of $4.00 per share should the corporation fail to make the scheduled purchase offers described below unless the average of the last reported sales prices for the corporation's common stock during a prescribed period of time is at least 108% of the conversion price of the preferred stock during such period. Subject to adjustment for common stock dividends and splits, each share of preferred stock has a conversion price of $39.00, and has an involuntary liquidating value of $39.00, is convertible into one share of common stock and is entitled to one vote. In addition, whenever six quarterly dividends on Series A preferred stock are unpaid, the holders of such Series A stock are entitled to elect two directors of the corporation until all past dividends have been paid.

Subject to the price of the corporation's common stock and the appropriate action by the Board of Directors, the corporation is scheduled to make offers to purchase, at a price of $39.00 per share plus accumulated dividends, a specified number of shares annually beginning with 828 shares in 1984; 1,020 shares in 1985 and 1,289 shares in 1986 and 1987.

SGP 0029977

The preferred stock will be subject to redemption (Series A — 1984 through 1988; Series B — 1985 through 1989 and Series C — 1986 through 1990) at $39.00 per share plus accumulated dividends provided that the average of the last reported sales prices for the corporation's common stock is at least 125% of the then conversion price of the preferred stock. Thereafter, the preferred stock may be redeemed, without limitation, at $39.00 per share plus accumulated dividends.

NOTE 9. Common Stock

At December 31, 1982, the following authorized shares of common stock of the corporation were reserved for issue:

Stock option plan	862
Employee stock purchase plan	1,000
Conversion of the 5¼% convertible subordinated debentures	3,855
Conversion of preferred stock	6,441
	12,158

At December 31, 1981, the total number of shares of common stock of the corporation covered by the 1974 Employee Stock Option Plan (74 Plan) was 862 shares of which 250 shares were subject to outstanding options. During 1982, no options were granted or exercised and the 250 shares subject to option expired on April 15, 1982. As of December 31, 1982, 862 shares are available for grant until October 15, 1985.

On October 31, 1982, the 1980 Employee Stock Purchase Plan expired and 7 shares were issued in accordance with the terms of the Plan.

As of December 31, 1982, 1,000 shares of common stock have been subscribed at $16.86 per share under the 1982 Employee Stock Purchase Plan (Plan). Subscribers have the option to receive their payments plus interest at the rate of 10% per annum in lieu of stock. During the subscription period which ended April 16, 1982, 7,283 employees subscribed and 6,541 employees are still in the Plan at December 31, 1982. The Plan expires on May 31, 1984.

The shares and prices relating to the Stock Option Plan, the Employee Stock Purchase Plan, the convertible subordinated debentures and the preferred stock are subject to adjustment for certain changes in the capital structure, including common stock splits and stock dividends.

NOTE 10. Litigation

As previously reported, in 1978 the corporation and two other defendants received an unfavorable jury verdict in a civil class action antitrust suit involving the sale and distribution of softwood plywood. On February 21, 1980, summary judgment was entered by the United States District Court for the Eastern District of Louisiana (the "District Court") awarding certain plaintiffs damages allegedly owing them pursuant to the jury verdict. The corporation appealed this judgment to the United States Court of Appeals for the Fifth Circuit which later affirmed the judgment in all respects. Subsequently, the corporation petitioned the Supreme Court of the United States to review the lower court's decision which petition was granted on May 17, 1982. On January 13, 1983, the corporation and the other two defendants executed a written settlement agreement pursuant to which plaintiffs will receive $165,000 over a period of time. The settlement agreement provides the corporation will pay $99,000 of which $18,000 was paid on January 28, 1983, $36,000 is payable on or before January 30, 1984, and $45,000 on or before January 30, 1985. This unusual and nonrecurring charge, including legal fees, in the amount of $56,000, net of a related tax benefit of $48,000, has been reflected as an extraordinary item in 1982. The agreement has received the preliminary approval of the District Court but the settlement is contingent upon: (i) a hearing (anticipated to occur prior to the summer of 1983) to provide, among other things, an opportunity for anyone desiring to object to the settlement to be heard; and (ii) final approval by the District Court and any reviewing court. The settlement agreement further provides that, pending final approval of the settlement, the parties will request a stay of the proceedings in this lawsuit in the Supreme Court.

The corporation is a defendant in a class action suit containing antitrust allegations involving the corporation's southeast timber and lumber operations. It is management's opinion that the results of this action will not have a material adverse effect upon the financial position of the corporation.

On December 4, 1980, the Attorney General of the State of Oklahoma filed a civil complaint in the District Court of Mayes County, Oklahoma, on behalf of the state of Oklahoma against the corporation, seven other corporations and one public agency alleging that the defendants wrongfully discharged chemicals into Pryor Creek, its tributaries and Ft. Gibson Reservoir. The complaint requests compensatory damages of $8,300 and punitive damages of $150,000. A motion to dismiss the action on the ground that the Attorney General acted without authority has been granted by the trial court. The Attorney General appealed the decision to the Oklahoma Supreme Court which upheld the dismissal. The Attorney General is currently attempting to petition the Supreme Court to reconsider its decision. Management believes that no significant discharge of chemicals from the corporation's property into the bodies of water has occurred

Dollar amounts and shares are in thousands

Six actions have been filed against Georgia-Pacific in Louisiana alleging damages from a February 1981 discharge of phenol into the Mississippi River from Georgia-Pacific's Plaquemine, Louisiana, chemical plant. Four are private class actions which allege in the aggregate $550,000 in damages plus attorneys' fees and other relief. Two are private actions and allege $850 in damages plus attorneys' fees. Management believes that the maximum liability, if any, in the actions in the states of Oklahoma and Louisiana will not have a material adverse effect on the financial condition of the corporation.

During 1982, the corporation was involved in a number of proceedings with various governmental agencies relating to environmental matters, including 14 proceedings concerning discharges of materials into the air and 22 proceedings concerning discharges into the waterways. The corporation paid an aggregate of approximately $150 in fines and entered into various agreements and consent decrees pertaining to procedures to be followed in the future in certain of these proceedings and is working with the agencies concerned to resolve pending proceedings. Management does not consider these proceedings material in the aggregate.

The corporation is party to various other legal proceedings generally incidental to its business. Although the ultimate disposition of these proceedings is not presently determinable, management does not believe that adverse determinations in any or all such proceedings will have a material adverse effect upon the financial condition of the corporation.

NOTE 11. Pension and Bonus Plans

Most of the corporation's hourly employees participate in noncontributory pension plans. Contributions to many of these plans are based upon hourly rates set forth in various contracts. The corporation also has a noncontributory pension plan for all of its salaried employees, excluding officers, to supplement the stock bonus plan. The corporation accrues the actuarially determined cost of the salaried plan based upon years of service, average compensation and value of assets held by the stock bonus plan.

Total pension costs accrued for pension plans administered solely or jointly by the corporation were $16,000 in 1982, $15,000 in 1981 and $16,000 in 1980, including amortization of prior service costs over periods ranging from ten to thirty years.

An assumed weighted average annual rate of investment return of 6½% was used in determining the actuarial present values of vested and nonvested accumulated benefits. A comparison of these accumulated benefits as estimated by consulting actuaries and the plan assets for the corporation's plans administered solely or jointly is as follows:

	December 31	
	1982	1981
Actuarial present value of accumulated plan benefits		
Vested	**$191,000**	$180,000
Nonvested	**31,000**	27,000
	$222,000	$207,000
Assets available for plan benefits	**$219,000**	$177,000

The corporation also made contributions to several collectively bargained, multi-employer pension plans in accordance with the provisions of negotiated labor contracts generally based on the number of hours worked. Information from the plans' administrators is not presently available to permit the corporation to determine its share of unfunded vested benefits.

Georgia-Pacific and certain subsidiaries have a noncontributory stock bonus plan for qualified salaried employees including officers. At December 31, 1982, there were 11,699 qualified and participating salaried employees in the plan. Salaried employees receive an allocation each year up to a maximum of 10% of their salary contingent on the availability of the corporation's profits, as defined in the plan. The costs incurred for this plan were $3,000 in 1982, $9,000 in 1981 and $19,000 in 1980.

NOTE 12. Other Assets

In 1980, the corporation formed a joint venture (GA-MET) with Metropolitan Life Insurance Company. Each partner has a 50% interest in the venture. GA-MET owns and operates the corporation's office headquarters building in Atlanta, Georgia, and the office building complex in Portland, Oregon. The corporation leases from GA-MET, at market rates, office space in the Atlanta and Portland buildings. GA-MET has a construction loan agreement with five participating banks for the construction of the Atlanta building. At December 31, 1982, the construction loan outstanding is $93,000. The loan matures in January 1988 and is secured by the venture's properties. The corporation accounts for this investment using the equity method. The corporation's investment of $25,000 in GA-MET is included in "Other assets" on the balance sheets.

As of December 31, 1982 "Other assets" includes $20,000 net, related to first mortgages the corporation has on employees' residences in Atlanta, Georgia, and the estimated realizable value of the remaining homes purchased from employees in Portland, Oregon, and Augusta, Georgia. The corporation intends to sell the mortgage loans in the secondary mortgage market.

Independent Auditors' Report

To the Shareholders and Board of Directors of
Georgia-Pacific Corporation:

We have examined the balance sheets of Georgia-Pacific Corporation (a Georgia corporation) and subsidiaries as of December 31, 1982 and 1981, and the related statements of income, common shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated February 12, 1982, our opinion on the 1981 and 1980 financial statements was qualified as being subject to the effect of any adjustments that might have been required had the outcome of the plywood antitrust litigation been known. As explained in Note 10, on January 13, 1983, a written settlement agreement was executed, subject to court approval, to settle the litigation, and a provision for this settlement was recorded in 1982. Accordingly, our present opinion on the 1981 and 1980 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, the financial statements referred to above present fairly the financial position of Georgia-Pacific Corporation and subsidiaries as of December 31, 1982 and 1981, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles, which, except for the change (with which we concur) in the method of accounting for investment tax credits described in Note 5, have been applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Atlanta, Georgia,
February 11, 1983.

Responsibility for Financial Statements

The financial statements on the preceding pages, which consolidate the accounts of Georgia-Pacific Corporation and its subsidiaries, have been prepared in conformity with generally accepted accounting principles applied on a consistent basis except for the change in the method of accounting for investment tax credits. Management of Georgia-Pacific Corporation is responsible for the accurate and objective preparation of the consolidated financial statements. Accordingly, the corporation maintains a system of policies, procedures and controls which is designed to provide reasonable assurance that assets are safeguarded and that accounting records are reliable. An independent evaluation of the system is performed by the corporation's internal audit staff in order to confirm that the system is adequate and operating effectively. As indicated in the Independent Auditors' Report, Arthur Andersen & Co. performs a separate independent examination of the corporation's consolidated financial statements for the purpose of determining that the statements are presented fairly in accordance with generally accepted accounting principles applied on a consistent basis. Arthur Andersen & Co. is appointed by the Board of Directors and meets regularly with the Audit Committee of the Board. The Audit Committee is comprised of three outside directors who review the work of the corporation's internal auditors and independent public accountants and approve fees paid for audit and non-audit services. The independent public accountants have full and free access to the Audit Committee.

SGP 0029980

1982 Compared with 1981
The forest products industry continued to experience its deepest recession since the end of World War II. The corporation's sales were $5.4 billion in 1982, the same as 1981. Income before extraordinary items and change in accounting for investment tax credits was $52 million (48¢ per share on a primary basis), down from $160 million ($1.51 per share) in the like period a year ago.

The building products business is heavily dependent upon the level of hous ıg starts, commercial building activity and the availability a l cost of mortgage funds. The 1,065,000 housing starts in 982 were the lowest in the United States since 1946, even ss than the depressed 1981 level of 1,102,000. The corporation's building products segment had sales of $3.0 billion in 1982 the same as 1981. Operating income was $105 million, a 9% decrease from the $116 million in 1981. The decrease in operating income was attributable to the change in accounting for investment tax credits and the writedown of certain assets to net realizable value (see Note 6). Sales in this segment were at good levels, but prices are still too soft to provide satisfactory results. However, the corporation experienced some improvement in the fourth quarter of 1982, particularly in plywood, and expects future improvement if interest rates continue to moderate.

Demand for the corporation's pulp and paper products correlates closely with real growth in the gross national product, but is also affected by inventory levels of the users of these products and industry productive capacity. The corporation's pulp and paper segment sales were $1.7 billion in 1982 compared with $1.6 billion in 1981, a 5% increase. Operating income was down 60% to $46 million compared with 1981's $116 million. The decrease in operating earnings is attributable in part to market conditions and competition which have resulted in price decreases, and to the change in accounting for investment tax credits and the writedown of certain assets to net realizable value (see Note 6). Additionally, the export pulp market, in particular, has been affected by the strong U.S. dollar. The pulp and paper markets continued to be soft.

The corporation's chemical operations are impacted by the market for building products and the growth in gross national product. Sales for the corporation's chemical segment were $628 million in 1982, a 15% decrease from $738 million in 1981. Operating income declined to $75 million compared with $149 million in 1981, a 50% decrease. The decreases are a result of lower prices and volumes for most of the corporation's chemical products. The reduction in demand resulted in some curtailment of operations beginning in late 1981 and continuing into 1982. Oil and gas income decreased in 1982 compared with 1981. This segment's performance was also adversely affected by the change in accounting for investment tax credits and the writedown of certain assets to net realizable value (see Note 6).

Other operations' income decreased as a result of the writeoff of certain leasehold improvements in the fourth quarter of 1982.

For a discussion of "Other income, net" and "Provision for income taxes," see Notes 2 and 3 of the Notes to Financial Statements.

Interest expense increased in 1982 due to the higher level of debt outstanding, higher interest rates and lower levels of capitalized interest

1981 Compared with 1980
Sales were $5.4 billion, up 8% from the $5 billion in the 1980 period. Net income in 1981 was down 34% to $160 million, or $1.51 per share on a primary basis, compared with $243 million ($2.33 per share) for 1980.

The corporation's building products segment had revenues of $3.1 billion in 1981 compared with 1980's $2.9 billion, a 5% increase. Operating earnings decreased 28% to $116 million. Although lumber and plywood volumes increased

SGP 0029981

from a year ago, prices were down significantly while costs were somewhat higher. In the latter part of the year, the corporation closed or curtailed production at several of its plywood plants and sawmills.

The pulp and paper segment revenues increased to $1.6 billion, up 12% from the $1.4 billion reported in 1980. Earnings were $116 million, down 18%, compared with the 1980 level of $141 million. Volum for pulp and paper products were up slightly in 1981.

Revenues from the corpo ation's chemical segment increased to $835 million, a 12 increase over the $745 million reported in 1980. Earnings were $149 million, a 3% decline from the same period in 1980. Oil and natural gas profits increased in 1981. The balance of the chemical operations performed to the corporation's expectations in the year's economy except those chemical products, particularly vinyl chloride monomer and PVC resin, closely associated with the construction industry. The chemical operation's profit margins were negatively impacted by high feedstock costs. The corporation curtailed operations in late 1981 at several of its chemical plants.

Interest expense was $46 million greater in 1981 due to higher interest rates and a higher level of debt the corporation had outstanding.

Liquidity and Capital Resources

The corporation's ability to generate adequate cash to meet its needs is influenced by various factors and corporate objectives. For 1982, the corporation expended $170 million for plant and equipment and $90 million for natural resources and declared $119 million in dividends. Working capital at December 31, 1982 amounted to $552 million, a $123 million increase from December 31, 1981. Total de t decreased by $53 million. Funds provided from operatio s amounted to $413 million for the year 1982. The $27 million extraordinary gain from the defeasance of the revenue bonds and the $130 million related to the change in accounting did not provide funds. The corporation had $407 million available from its lines of credit at December 31, 1982.

In response to the impact of continuing depressed economic conditions in the corporation's businesses, the Board of Directors on October 29, 1982, reduced the fourth-quarter dividend to 15 cents per share (from 30 cents). The current annual common dividend rate is $.60 a share. Management believes that cash generated from operations, reduction in the common dividend rate, credit commitments and long-term debt funding capabilities are adequate to meet the capital expenditure budget (1983 projected expenditures of $300 million) and liquidity needs of the corporation. Depending on money market conditions, the corporation may determine to issue additional securities in 1983.

SGP 0029982

The accompanying tables set forth selected financial data relating to the effects of general inflation (constant dollar) and changes in specific prices (current cost) in accordance with Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices." Constant dollar and current cost estimates are necessarily based upon numerous assumptions and subjective judgments. Although management believes that the estimates have been developed in a reasonable manner in compliance with the requirements of Statement No. 33, it should be recognized that they may be of only limited value because of the high degree of imprecision inherent in the estimation process. Thus, the information presented herein should be viewed in the context of Statement No. 33 and not as precise indicators of the effects of inflation.

Description of Computations

Constant dollar data were determined by adjusting historical cost financial information for changes that have occurred in the general purchasing power of the dollar as measured by the Consumer Price Index for All Urban Consumers. In accordance with Statement No. 33, inventories, natural resources, and property, plant and equipment have been restated from historical cost dollars into average 1982 constant dollars.

Current cost estimates for property, plant and equipment and natural gas and oil properties were developed using historical costs appropriately indexed for increased costs of construction and exploration. A similar adjustment was made to historical depreciation and depletion amounts. Timber and timberlands have been included in current cost data as adjusted to reflect the effect of general inflation with no further adjustment to reflect current cost estimates.

The current cost of inventories at manufacturing plants was determined by reference to average production costs experienced during the year. Current cost of inventories at building products distribution centers was based upon a review of recent purchases for a representative sample of products at selected branches.

Adjustments have been made to cost of sales and depletion and depreciation to reflect the effects of the restated asset amounts, but no adjustments were made to reflect the restated components of depletion and depreciation in inventory since the effect of such adjustments would not be material.

Purchasing Power Gain

A monetary asset represents money or a claim to receive money without reference to future prices of specific goods or services. Similarly, a monetary liability is an obligation to pay a sum of money the amount of which is fixed or determinable without reference to future prices or services. The corporation's monetary liabilities exceed its monetary assets. Accordingly, an important hedge against inflation is provided as this net monetary liability position will be paid in dollars which have a lower purchasing power than the dollars originally received in return for the obligations. Statement No. 33 does not provide for an adjustment to net income for this important factor; rather the adjustment is required only as supplementary information under the caption "Gain from decline in purchasing power of net amounts owed."

General Comments on Inflation Accounting Data

For the year ended December 31, 1982, income as reported was $52 million. After adjustments for the effect of general inflation, this became a $148 million loss, and after reflecting changes in specific prices, a loss of $112 million. The adverse effects of the mandated inflation adjustments to income are offset by the $86 million gain from decline in purchasing power of net amounts owed.

The adjustments required by Statement No. 33 represent an attempt to estimate what it would cost in terms of today's dollars to build currently existing facilities. Thus, the calculations do not reflect the economic benefit of new technology which would be realized by replacing the corporation's existing plants with new facilities. Such replacement of the corporation's plants would result in increased productivity and certain other cost savings. The cost savings would be realized primarily in the form of reduced manpower requirements, lower maintenance costs and reduced costs for energy. Such savings would reduce the adverse effects of inflation.

Statement No. 33 does not provide for adjusting income tax expense for the increases in costs determined under the constant dollar and current cost computations because such increases are not deductible for income tax purposes.

STATEMENT OF CONSOLIDATED INCOME ADJUSTED FOR EFFECTS OF CHANGING PRICES

Dollar amounts in millions of 1982 average dollars

	Year ended December 31, 1982		
	As Reported	Adjusted For General Inflation	Adjusted For Changes in Specific Prices
Net sales	$5,402	$5,402	$5,402
Costs and expenses			
Cost of sales	4,475	4,498	4,477
Selling, general and administrative	394	394	394
Depreciation and depletion	356	533	518
Interest	186	186	186
Other income, net	(76)	(76)	(76)
	5,335	5,535	5,499
Income (loss) before income taxes	67	(133)	(97)
Provision for income taxes	15	15	15
Income (loss)[1]	$ 52	$ (148)	$ (112)
Income (loss) per share of common stock[1]			
Primary	$ .48	$(1.39)	$(1.06)
Fully diluted	.50	(1.32)	(.99)
Gain from decline in purchasing power of net amounts owed		$ 86	$ 86
Net assets at end of year	$2,198	$4,038	$3,845
Increase in specific prices (current cost) of inventories, property, plant and equipment and natural resources held during the year[2]			$ 22
Effect of increase in general price level			$ 242
Excess of increase in general price level over increase in specific prices			$ 220

[1]Before extraordinary items and accounting change.

[2]As of December 31, 1982, current cost of inventories was $840, current cost of property, plant and equipment, net of accumulated depreciation, was $3,862, and current cost of natural resources, net of depletion, was $1,429.

SGP 0029984

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

Dollar amounts in millions of 1982 average dollars

	Year ended December 31				
	1982	1981	1980	1979	1978
Net sales					
As reported	**$5,402**	$5,414	$5,016	$5,207	$4,403
Adjusted for general inflation	**5,402**	5,739	5,869	6,925	6,516
Income (loss)[1]					
As reported	**$ 52**	$ 160	$ 243	$ 326	$ 301
Adjusted for general inflation	**(148)**	(30)	60	257	
Adjusted for changes in specific prices	**(112)**	11	110	274	
Income (loss) per share — primary[1]					
As reported	**$ .48**	$ 1.51	$ 2.33	$ 3.11	$ 2.92
Adjusted for general inflation	**(1.39)**	(.28)	.57	2.45	
Adjusted for changes in specific prices	**(1.06)**	.10	1.05	2.59	
Income (loss) per share — fully diluted[1]					
As reported	**$ .50**	$ 1.49	$ 2.27	$ 3.02	$ 2.83
Adjusted for general inflation	**(1.32)**	(.23)	.57	2.39	
Adjusted for changes in specific prices	**(.99)**	.13	1.04	2.54	
Net assets at end of year					
As reported	**$2,198**	$2,129	$2,069	$1,951	$1,719
Adjusted for general inflation	**4,038**	4,016	4,041	3,885	
Adjusted for changes in specific prices	**3,845**	3,896	3,971	3,993	
Excess of increase in general price level of inventory, property, plant and equipment and natural resources over increase in specific prices	**$ 220**	$ 45	$ 241	$ 80	
Gain from decline in purchasing power of net amounts owed	**$ 86**	$ 175	$ 235	$ 231	
Cash dividends declared per common share					
As reported	**$ 1.05**	$ 1.20	$ 1.20	$ 1.13	$ 1.03
Adjusted for general inflation	**1.05**	1.27	1.40	1.50	1.52
Market price per common share					
As reported	**$26.25**	$20.13	$25.00	$26.38	$24.25
Adjusted for general inflation	**26.25**	20.67	27.97	33.20	34.55
Additional Supplementary Financial Data (Dollars in millions)					
Total assets	**$5,150**	$5,060	$4,512	$4,118	$3,344
Long-term obligations	**$1,618**	$1,487	$1,227	$1,109	$ 827
Redeemable preferred stock	**$ 209**	$ 203	$ 169	$ 165	$ —
Average consumer price index	**289.1**	272.4	246.8	217.4	195.4

[1]Before extraordinary items and accounting change in 1982.

SGP 0029985

SELECTED QUARTERLY FINANCIAL DATA

Dollar amounts in millions

1982	First Quarter	Second Quarter: Quarter	Second Quarter: Year-to-Date	Third Quarter: Quarter	Third Quarter: Year-to-Date	Fourth Quarter: Quarter	Fourth Quarter: Year-to-Date
Net sales	$1,199	$1,415	$2,614	$1,422	$4,036	$1,366	$5,402
Costs and expenses							
Cost of sales	1,004	1,161	2,165	1,196	3,361	1,114	4,475
Selling, general and administrative (Note 2)	85	92	177	91	268	126	394
Depreciation and depletion (Note 2)	75	90	165	90	255	101	356
Interest	35	52	87	46	133	53	186
Other income, net (Note 2)	(33)	(72)	(105)	—	(105)	29	(76)
	1,166	1,323	2,489	1,423	3,912	1,423	5,335
Income (loss) before income taxes, extraordinary items and accounting change	33	92	125	(1)	124	(57)	67
Provision (benefit) for income taxes	8	21	29	—	29	(14)	15
Income (loss) before extraordinary items and accounting change	25	71	96	(1)	95	(43)	52
Litigation settlement, net of taxes (Note 10)	—	—	—	—	—	(56)	(56)
Gain on exchange of bonds (Note 4)	—	—	—	27	27	—	27
Cumulative effect of change in accounting for investment tax credits (Note 5)	130	—	130	—	130	—	130
Net income (loss)	$ 155	$ 71	$ 226	$ 26	$ 252	$ (99)	$ 153
Per common share—Primary (Note 1)							
Income (loss) before extraordinary items and accounting change	$ .23	$ .68	$ .91	$ (.01)	$ .90	$ (.42)	$ .48
Litigation settlement	—	—	—	—	—	(.52)	(.52)
Gain on exchange of bonds	—	—	—	.25	.25	—	.25
Accounting change	1.23	—	1.23	—	1.23	—	1.23
Net income (loss)	$ 1.46	$ .68	$ 2.14	$ .24	$ 2.38	$ (.94)	$ 1.44
Per common share—Fully diluted (Note 1)							
Income (loss) before extraordinary items and accounting change	$ .23	$ .66	$ .89	$ —	$ .89	$ (.39)	$ .50
Litigation settlement	—	—	—	—	—	(.51)	(.51)
Gain on exchange of bonds	—	—	—	.24	.24	—	.24
Accounting change	1.19	—	1.19	—	1.19	—	1.19
Net income (loss)	$ 1.42	$ .66	$ 2.08	$ .24	$ 2.32	$ (.90)	$ 1.42
Dividends declared per share	$ .30	$ .30	$ .60	$ .30	$ .90	$ .15	$ 1.05
Price range of common stock[1]							
High	$20.63	$17.63		$20.25		$27.25	
Low	$15.38	$13.25		$13.63		$17.75	

SGP 0029986

Dollar amounts in millions

1981	First Quarter	Second Quarter		Third Quarter		Fourth Quarter	
		Quarter	Year-to-Date	Quarter	Year-to-Date	Quarter	Year-to-Date
Net sales	$1,348	$1,443	$2,791	$1,401	$4,192	$1,222	$5,414
Costs and expenses							
Cost of sales	1,098	1,177	2,275	1,160	3,435	1,020	4,455
Selling, general and administrative	80	86	166	88	254	73	327
Depreciation and depletion	70	70	140	73	213	94	277
Interest	25	30	55	35	90	35	125
	1,273	1,363	2,636	1,356	3,992	1,192	5,184
Income before income taxes	75	80	155	45	200	30	230
Provision for income taxes	23	25	48	14	62	8	70
Net income	$ 52	$ 55	$ 107	$ 31	$ 138	$ 22	$ 160
Per common share (Note 1)							
Primary	$ .49	$ .52	$ 1.01	$ .29	$ 1.30	$ .21	$ 1.51
Fully diluted	.48	.51	.99	.29	1.28	.21	1.49
Dividends declared per share	$ .30	$ .30	$ .60	$ .30	$ .90	$ .30	$ 1.20
Price range of common stock[1]							
High	$32.38	$31.75		$27.63		$22.50	
Low	$24.50	$26.50		$17.75		$17.75	

[1]The amounts reflect the range of market prices of Georgia-Pacific Common Stock as quoted in the New York Stock Exchange — Composite transactions. The New York Stock Exchange is the principal market in which the securities are traded.

Summary of Financial Position

Dollar amounts in millions

	December 31				
	1982	1981	1980	1979	1978
Working Capital					
Current assets	**$1,330**	$1,323	$1,195	$1,123	$ 944
Current liabilities	**778**	894	787	676	474
Working capital	**552**	429	408	447	470
Noncurrent assets					
Natural resources, net of depletion	**899**	872	774	764	505
Property, plant and equipment, at cost	**4,642**	4,513	3,994	3,476	2,988
Accumulated depreciation	**(1,840)**	(1,732)	(1,494)	(1,283)	(1,123)
Net	**2,802**	2,781	2,500	2,193	1,865
Other assets	**119**	84	43	38	30
Total working capital and noncurrent assets	**$4,372**	$4,166	$3,725	$3,442	$2,870
Source of working capital and noncurrent assets					
Long-term debt, excluding current portion	**$1,618**	$1,487	$1,227	$1,109	$ 827
Deferred income taxes	**550**	545	427	373	319
Employee stock purchase plan	**6**	5	2	9	5
Redeemable preferred stock	**209**	203	169	165	—
Common shareholders' equity	**1,989**	1,926	1,900	1,786	1,719
Total source of working capital and noncurrent assets	**$4,372**	$4,166	$3,725	$3,442	$2,870
Changes in consolidated financial position					
Source of funds					
Funds from operations	**$ 413**	$ 555	$ 564	$ 608	$ 539
Other	**25**	—	—	—	—
Financing					
Debt—Notes, banks, and others	**295**	555	180	406	196
Equity—Common and preferred stock	**—**	32	5	167	2
Total source of funds	**733**	1,142	749	1,181	737
Use of funds					
Cash dividends	**119**	132	130	121	105
Long-term debt repayments and current maturities	**183**	295	62	124	101
Additions (net)					
Natural resources	**90**	152	66	297	115
Property, plant and equipment	**170**	522	518	518	366
Miscellaneous	**48**	20	12	144	16
Total use of funds	**610**	1,121	788	1,204	703
Increase (decrease) in working capital	**$ 123**	$ 21	$ (39)	$ (23)	$ 34

SGP 0029988

Summary of Operations

Dollar amounts in millions

	Year ended December 31				
	1982	1981	1980	1979	1978
Net sales	**$5,402**	$5,414	$5,016	$5,207	$4,403
Costs and expenses					
Costs of sales	**4,475**	4,455	4,018	4,100	3,410
Selling, general and administrative	**394**	327	301	279	233
Depreciation and depletion	**356**	277	267	228	194
Interest	**186**	125	79	66	38
Other income, net	**(76)**	—	—	—	—
	5,335	5,184	4,665	4,673	3,875
Income before income taxes	**67**	230	351	534	528
Provision for income taxes	**15**	70	108	208	227
Income[1]	**52**	160	243	326	301
Depreciation	**293**	223	211	190	163
Depletion	**63**	54	56	38	31
Deferred income taxes	**5**	118	54	54	44
Funds generated from operations	**$ 413**	$ 555	$ 564	$ 608	$ 539
Statistics					
Income per share of common stock[1]					
Primary	**$ .48**	$ 1.51	$ 2.33	$ 3.11	$ 2.92
Fully diluted	**.50**	1.49	2.27	3.02	2.83
Cash dividends on common stock	**$ 1.05**	$ 1.20	$ 1.20	$1.125	$1.025
Shares of common stock and common stock equivalents (in thousands)	**106,370**	105,400	104,000	104,810	103,000
Income as % of sales[1]	**1.0%**	3.0%	4.8%	6.3%	6.8%
Funds generated from operations as % of sales	**7.6%**	10.3%	11.2%	11.7%	12.2%
Current assets to current liabilities	**1.71:1**	1.48:1	1.52:1	1.66:1	1.99:1
Debt-to-equity[2]	**.74:1**	.70:1	.59:1	.57:1	.48:1
Price range of common stock					
High	**$27.25**	$32.38	$34.88	$30.38	$32.50
Low	**13.25**	17.75	21.50	23.50	23.50

[1]Before extraordinary items and accounting change in 1982.

[2]The ratio of debt-to-equity has been computed by dividing the sum of long-term debt (excluding current portion) by the sum of redeemable preferred stock and common shareholders' equity.

SGP 0029989

Directors & Officers

DIRECTORS

Robert E. Flowerree[1]
Chairman and
Chief Executive Officer
Atlanta, Georgia

Willard S. Boothby, Jr.[3,4,6]
Managing Director
Blyth Eastman Paine
Webber Incorporated
Investment Bankers
New York, New York

Albert J. Bows[3,4,6]
Financial Consultant
Atlanta, Georgia

Julian N. Cheatham[1,5]
President
J. N. Cheatham Corporation
Private Investment Company
Portland, Oregon

Robert L. Clare, Jr.[3]
Partner, Shearman & Sterling
Attorneys
New York, New York

Harvey C. Fruehauf, Jr.[2,4,6]
President
HCF Enterprises, Inc
Private Investment Company
Detroit, Michigan

T. Marshall Hahn, Jr.[1]
President and
Chief Operating Officer
Atlanta, Georgia

Francis Jungers[1,2]
Private Business Consultant
Sunriver, Oregon

Harry J. Kane[7]
Executive Vice President—Finance
Atlanta, Georgia

Robert E. McNair[3,6]
Partner, McNair Glenn Konduros
Corley Singletary Porter &
Dibble Attorneys
Columbia, South Carolina

Chauncey J. Medberry[4,6]
Member of the Board of Directors
Bank of America N.T. & S.A. and
Bankamerica Corporation
Los Angeles, California

Harold E. Sand
President
Sand Investment Co
Portland, Oregon

Robert A. Schumacher
Executive Vice President
Pulp and Paper
Darien, Connecticut

John F. Watlington, Jr.[1,2]
Chairman, Executive Committee
The Wachovia Corporation and
Wachovia Bank and
Trust Company, N.A.
Winston-Salem, North Carolina

[1]Executive Committee
[2]Audit Committee
[3]Stock Option Plan and Management Compensation Committee
[4]Finance Committee
[5]Chairman, Executive Committee
[6]Nominating Committee
[7]Resigned effective January 29, 1983

OFFICERS[1]

Robert E. Flowerree
Chairman and
Chief Executive Officer

T. Marshall Hahn, Jr.
President and
Chief Operating Officer

Stanley S. Dennison
Executive Vice President
Building Products

Robert A. Schumacher
Executive Vice President
Pulp and Paper

Conrad Schweitzer
Group Senior Vice President
Pulp and Paper

John H. Dunkak
Senior Vice President
Western Division

James R. Kuse
Senior Vice President
Chemical Division

Calvin R. Shaw
Senior Vice President
Crossett Division

James E. Frew
Group Vice President
Pulp and Paper

Ronald P. Hogan
Group Vice President
Distribution Division

Maurice W. Kring
Group Vice President
Tissue Products

Harold L. Airington
Vice President
Wood Products Sales

Howard S. Bergen
Vice President
Resin Division

John D. Bryan
Vice President
Commodity Chemicals

Jack J. Castevens
Vice President
Distribution Division
Southeast Region

David S. Dimling
Vice President
Printing Paper Division

Donald L. Glass
Vice President
Distribution Division
Midwest Region

Robert L. Goodwin
Vice President
Gas and Oil

Stephen K. Jackson
Vice President
Advertising and
Public Relations

Joseph H. Joiner
Vice President and Controller

Alfred P. Lee
Vice President
Sales and Marketing
Consumer Paper Products

George A. MacConnell
Vice President
Distribution Division
Northeast Region

Charles F. Mackey
Vice President
Plaquemine Division

Daniel A. Martinez
Vice President
Palatka Division

Mary A. McCravey
Vice President and Secretary

John F. McGovern
Vice President
Finance

Dennis D. Melstrom
Vice President
Packaging Division

Thomas F. Mitchell
Vice President
Government Affairs

Davis K. Mortensen
Vice President
Southern Division

Richard C. Newman
Vice President
International Division

Kelly E. Powell, Jr.
Vice President
Distribution Division
Western Region

George J. Ritchie
Vice President
Western Division
Wood Products Manufacturing

Marion L. Talmadge
Vice President and Treasurer

Carroll T. Tolar
Vice President
Engineering

Lawrence B. Trammel
Vice President
Distribution Division
Southwest Region

Glenn E. Wilson
Vice President
Gypsum Division

Michael B. Wilson
Vice President
Consumer Paper Products Sales

John E. Wishart
Vice President
Timber and Timberlands

[1]As of January 31, 1983

SGP 0029990

Headquarters Locations

General Offices
Georgia-Pacific Center
133 Peachtree Street, N.E.
Atlanta, Georgia 30303

Crossett Division
Crossett, Arkansas 71635

Northeast Division
320 Post Road
Darien, Connecticut 06820

Southern Division
Georgia-Pacific Center
133 Peachtree Street, N.E.
Atlanta, Georgia 30303

Western Division
Georgia-Pacific Building
900 Southwest Fifth Avenue
Portland, Oregon 97204

New York Office
375 Park Avenue
New York, New York 10022

Shareholder Information

Stock Exchange and Symbols
Georgia-Pacific Corporation
Common Stock (GP) and
Preferred Stock (GP Pr A),
(GP Pr B) and (GP Pr C) are listed on
The New York Stock Exchange.

Transfer Agent and Registrar
Bank of America N.T. & S.A.
Corporate Agency Service Center
P.O. Box 37002
San Francisco, California 94137

Available Information
A copy of the Georgia-Pacific 1982 Annual Report to the Securities and Exchange Commission on Form 10-K will be supplied without charge at any time after March 31, 1983. Requests for the Report should be directed to:

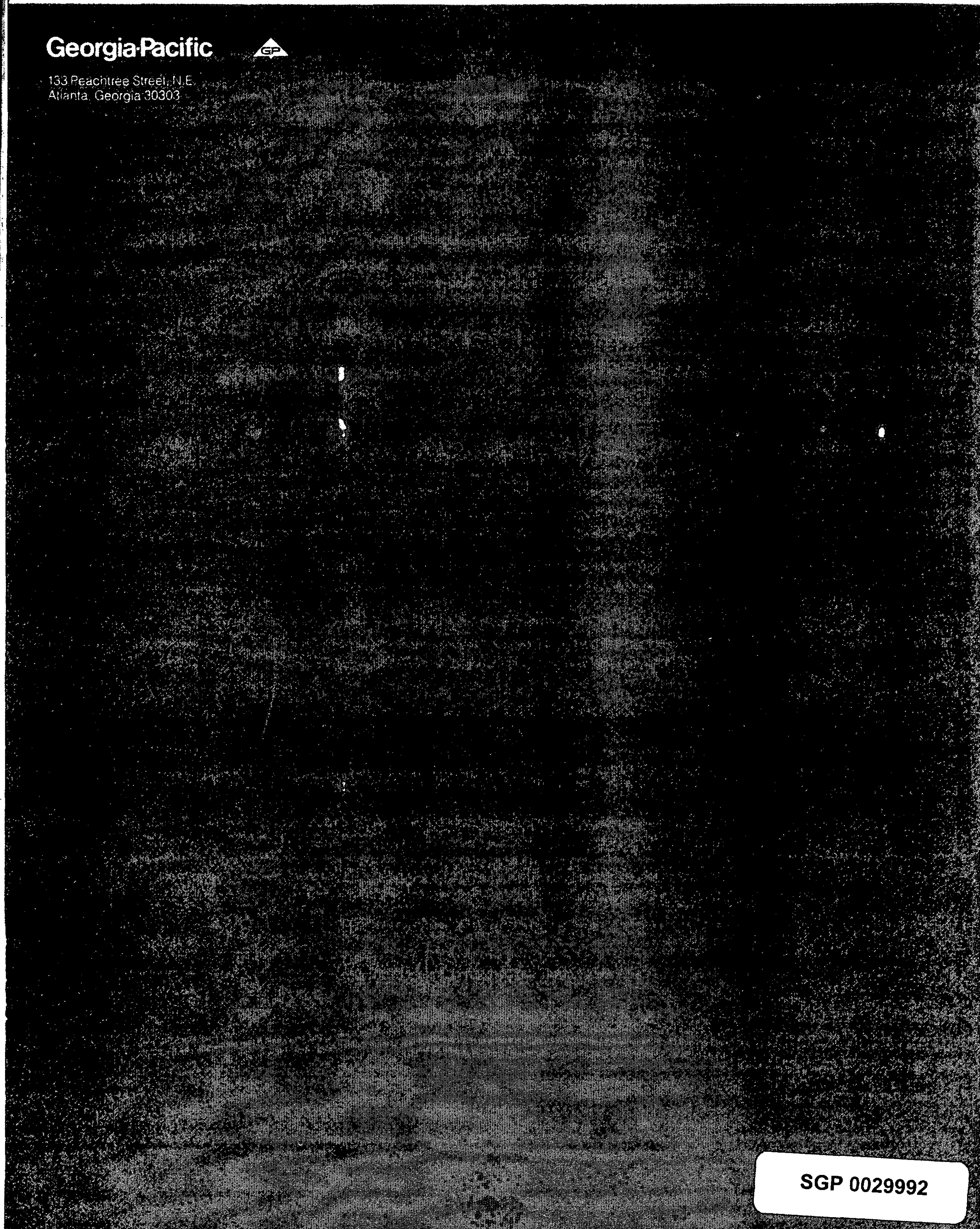
Director of Financial Communications
Georgia-Pacific Corporation
133 Peachtree Street, N.E.
Atlanta, Georgia 30303

Quarterly statistical updates are also available upon request.

An equal opportunity employer

Georgia-Pacific papers used in this report: Cover—Legendry™, White, 80 lb. cover. Uncoated text—Carrara® Kidskin, White, 80 lb. text and Sonata® Kidskin, Natural, 80 lb. text.

Lithographed in the United States of America


Georgia-Pacific
133 Peachtree Street, N.E.
Atlanta, Georgia 30303

SGP 0029992