MITSUBISHI TOKYO FINANCIAL GROUP INC
Form 6-K
November 24, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of November, 2004

MITSUBISHI TOKYO FINANCIAL GROUP, INC.

(Translation of registrant s name into English)

4-1, Marunouchi 2-chome, Chiyoda-ku

Tokyo 100-6326, Japan

(Address of principal executive offices)

[Indicate by check mark whether the registrant files or

will file annual reports under cover Form 20-F or Form 40-F.]

Form 20-F __X__ Form 40-F ______

[Indicate by check mark whether the registrant by furnishing the information

contained in this Form is also thereby furnishing the information to the Commission

pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.]

Yes ______ No __X__

SIGNATURES

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

Date: November 24, 2004

MITSUBISHI TOKYO FINANCIAL GROUP, INC.

By: /S/ Ryutaro Kusama

Name: Ryutaro Kusama
Title: Chief Manager, General Affairs

Corporate Administration Division

Interim Consolidated Summary Report

<under Japanese GAAP>

for the Fiscal Year Ending March 31, 2005

Date:	November 24, 2004
Company name (code number):	Mitsubishi Tokyo Financial Group, Inc. (8306) (URL http://www.mtfg.co.jp)
Stock exchange listings:	Tokyo, Osaka, New York, London
Headquarters:	Tokyo
Representative:	Nobuo Kuroyanagi, President & CEO
For inquiry:	Katsuhiko Ishizuka, Chief Manager Financial Policy Division (Phone) +81-3-3240-8211
Date of resolution of Board of Directors with respect to the interim consolidated financial statements:	November 24, 2004
Trading accounts:	Established

1. Consolidated financial data for the six months ended September 30, 2004

(1) Operating results

(in millions of yen except per share data and percentages)

	For the six months ended September 30,		For the year ended
	2004	2003	March 31, 2004
Ordinary income	**1,258,164**	1,360,929	2,555,183
Change from the previous year	**(7.6)%**	(4.5)%	
Ordinary profit	**310,306**	273,432	578,371
Change from the previous year	**13.5%**		
Net income	**171,678**	301,877	560,815
Change from the previous year	**(43.1)%**		
Net income per common share	**25,924.96**	47,619.95	87,156.63
Net income per common and common equivalent share		45,810.42	85,017.34

Notes:

1. *Equity in earnings of affiliates:*

For the six months ended September 30, 2004:	*7,573 million yen*
For the six months ended September 30, 2003:	*1,232 million yen*
For the year ended March 31, 2004:	*3,595 million yen*

2. *Average number of shares outstanding:*

For the six months ended September 30, 2004:		
(common stock)	*6,492,611*	*shares*
(preferred stock class 1)	*81,022*	*shares*
(preferred stock class 2)	*8,196*	*shares*
For the six months ended September 30, 2003:		
(common stock)	*6,259,246*	*shares*
(preferred stock class 1)	*81,022*	*shares*
(preferred stock class 2)	*89,614*	*shares*
For the year ended March 31, 2004:		
(common stock)	*6,349,929*	*shares*
(preferred stock class 1)	*81,022*	*shares*
(preferred stock class 2)	*58,039*	*shares*

3. Changes in accounting policy: No

(2) Financial condition

	(in millions of yen except per share data and percentages)		
	For the six months ended September 30,		For the year ended
	2004	2003	March 31, 2004
Total assets	**113,408,478**	104,711,005	106,615,487
Shareholders equity	**4,306,432**	3,742,207	4,295,243
Shareholders equity as a percentage of total liabilities, minority interest and shareholders equity	**3.8%**	3.6%	4.0%
Shareholders equity per common share	**623,070.24**	532,290.28	620,797.48
Risk-adjusted capital ratio (based on the standards of the Bank for International Settlements, the BIS)	**(preliminary basis) 10.92 %**	12.44%	12.95%

Note:

Number of shares outstanding as of:

September 30, 2004:		
(common stock)	*6,516,155*	*shares*
(preferred stock class 1)	*81,022*	*shares*
September 30, 2003:		
(common stock)	*6,355,414*	*shares*
(preferred stock class 1)	*81,022*	*shares*
(preferred stock class 2)	*56,200*	*shares*
March 31, 2004		
(common stock)	*6,473,306*	*shares*
(preferred stock class 1)	*81,022*	*shares*
(preferred stock class 2)	*15,000*	*shares*

(3) Cash flows

	(in millions of yen)		
	For the six months ended September 30,		For the year ended
	2004	2003	March 31, 2004
Net cash provided by operating activities	**6,106,171**	700,148	2,999,790
Net cash provided by (used in) investing activities	**(5,490,858)**	1,096,071	(3,893,910)
Net cash provided by (used in) financing activities	**(30,770)**	106,895	(71,269)
Cash and cash equivalents at end of (interim) fiscal year	**3,625,125**	5,955,417	3,034,525

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 154 Affiliated companies accounted for by the equity method: 25

(5) Change in the scope of consolidation and application of the equity method

Consolidated subsidiaries:	Newly included: 6	Excluded: 4
Affiliated companies accounted for by the equity method:	Newly included: 1	Excluded: 0

2. Earning projections for the fiscal year ending March 31, 2005

(in millions of yen)

Ordinary income	Ordinary profit	Net income
2,450,000	**640,000**	**340,000**

Projected net income per common share for the year ending March 31, 2005 (yen): 51,405.06

(Reference)

Formulas for computing ratios for the six months ended September 30, 2004 are as follows.

Net income per common share

$$\frac{\text{Net income} \quad \text{Total dividends on preferred stock}}{\text{Average number of common stock during the period *}}$$

Net income per common and common equivalent share

$$\frac{\text{Net income} \quad \text{Total dividends on preferred stock + Adjustments in net income}}{\text{Average number of common stock during the period * + Common equivalent share}}$$

Shareholders equity per common share

$$\frac{\text{Shareholders equity at end of period} \quad \text{Deduction from shareholders equity**}}{\text{Number of common stock at end of period *}}$$

Formula for computing projected earning ratio for the fiscal year ending March 31, 2005 is as follows.

Projected net income per common share

$$\frac{\text{Projected net income - Projected total dividends on preferred stock}}{\text{Number of common stock at end of period *}}$$

* excluding treasury stock

** number of preferred stock at end of period × issue price + total dividends on preferred stock

This financial summary report and the accompanying financial highlights contain forward-looking statements and other forward-looking information relating to the company and/or the group as a whole (the forward-looking statements). The forward-looking statements are not historical facts and include, reflect or are otherwise based upon, among other things, the company s current estimations, projections, views, policies, business strategies, targets, expectations, assumptions and evaluations with respect to general economic conditions, its results of operations, its financial condition, its management in general and other future events. Accordingly, they are inherently susceptible to uncertainties, risks and changes in circumstances and are not guarantees of future performance.

Some forward-looking statements represent targets that the company s management will strive to achieve through the

successful implementation of the company s business strategies. The company may not be successful in implementing its business strategy, and actual results may differ materially, for a wide range of possible reasons. Other forward-looking statements reflect the assumptions and estimations upon which the calculation of deferred tax assets has been based and are themselves subject to the full range of uncertainties, risks and changes in circumstances outlined above.

In light of the many risks, uncertainties and possible changes, you are advised not to put undue reliance on the forward- looking statements. The company is under no obligation and expressly disclaims any obligation to update or alter the forward-looking statements, except as may be required by any applicable laws and regulations or stock exchange rules.

For detailed information relating to uncertainties, risks and changes regarding the forward-looking statements, please see the company s latest annual report and other disclosures.

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1. Information on MTFG

MTFG is engaged primarily in the banking business and also conducts trust business, securities business, asset management business and other related financial businesses.

The following is an illustration of the Company s corporate governance structure and major subsidiaries.

2. Management Policy

(1) Principal management policy

MTFG s management philosophy set forth below represents the core set of principles that forms the foundation for our strategies and decision-making process.

Group Management Philosophy

Founded on the key principles of trust and reliability,

Mitsubishi Tokyo Financial Group

contributes to the prosperity of its customers at home and abroad

and of the communities it serves, and

continuously creates social and economic value,

by providing comprehensive financial services.

(2) Basic policy regarding profit distribution

Given the public nature of a bank holding company, it is the Company s policy to endeavor to maintain stable dividends while improving the Company s overall strength in order to bolster its financial health and continued sound management.

With respect to interim dividends for the six months ended September 30, 2004, the Company has decided not to pay any dividends on its common stock and to pay ¥41,250 per share of class 1 preferred stock.

With respect to annual dividends for the fiscal year ending March 31, 2005, the Company plans to pay ¥6,000 per share of common stock and ¥41,250 per share of class 1 preferred stock (in addition to the interim dividend, for a total of ¥82,500 per share).

(3) Basic policy relating to the possible lowering of the minimum investment amount

With regard to the possible lowering of the minimum investment amount of the Company s common stock, the Company does not believe that it needs to make any actions immediately, after taking into account such factors as the stock price, the number of shareholders, liquidity issues and the transaction costs and potential benefits. The Company, however, will continue to consider, as appropriate, the possibility of lowering the minimum purchase price while taking into account investor needs and the above-described factors.

(4) Management targets

On August 12, 2004, the Company and UFJ Group concluded, subject to the approval of the shareholders and the relevant authorities, a basic agreement with regard to the management integration of the holding companies, banks, trust banks and securities companies of the two groups. The new group aims to become one of the top five global financial institutions in terms of market value by the end of fiscal year 2008.

(5) Medium term management strategy

MTFG has drawn up a new 3-year plan, the First Medium-Term Strategic Plan and Medium-Term Business Plan (2004) starting from fiscal 2004, and has set an aspiration of becoming one of the world s top ten financial institutions by market capitalization.

To realize our aspiration, we have positioned our retail, corporate and trust assets (asset management and administration) businesses as our three core businesses. In April 2004 we introduced an integrated business group system encompassing these three businesses to promote unified group management, and we are shifting to a profit structure in which these three businesses form the core.

In our integrated business group system, the holding company formulates strategy for the Group on an integrated basis, which is then executed by Group banks. Through a customer-first approach, MTFG aims to fulfill the latent needs of its customers through delivering high-quality, comprehensive financial services. Through speedy and unified decision-making, reorganization of our Group s business portfolio, a more dynamic reallocation of Group s operational resources and unified risk management, we aim to enhance our corporate value.

In July 2004, to aggressively promote the strategy described above and create a premier comprehensive global financial group , MTFG commenced discussions regarding a proposed management integration with UFJ Group. In August 2004, the two groups concluded a basic agreement with regard to the management integration of the two groups. Subsequently, in September 2004, we formulated our basic integration strategy and we have set a new aspiration of becoming one of the top five global financial institutions by market capitalization by the end of fiscal 2008. This new aspiration signals a further advance from our earlier aspiration of joining the global top ten. In addition MTFG cooperated in the strengthening of UFJ Bank s capital to further its aim of management integration with UFJ Group.

The new group will be the first comprehensive, integrated financial group in Japan comprising commercial banks, trust banks and securities companies, as well as top-class credit card companies, consumer finance companies, investment trust companies, lease companies and foreign banks (including Union Bank of California). We aim to integrate the two groups holding companies, banks, trust banks and securities companies by October 1, 2005, subject to approval by shareholders and the relevant authorities.

In order to fully leverage the strengths of the new group, its operational framework will be based on the framework provided by MTFG s integrated business group system. Each company in the new group, including the banks, trust banks and securities companies, as well as the credit card and other companies, will collaborate to aggressively implement the group s integration strategy in order to offer financial services that meet the true needs of customers in a unified, flexible manner.

(6) Issues facing the company

MTFG will rapidly and boldly deal with its key business challenges based on the strategy outlined above.

Specifically:

In our retail business we will strengthen sales and marketing capabilities through a significant increase in sales staff numbers and improvement of the quality of sales staff through training at our new Retail Academy facility. We will also drastically strengthen our consumer finance business through expanding use of our multifunctional IC cards incorporating biometric recognition functions, and through consolidation and reorganization of functions in the consumer finance business with ACOM Co., Ltd, with which we have a business and capital alliance.

In our corporate banking business, from October 2004, we have been strengthening our investment banking capabilities particularly in market-driven business areas. We also aim to expand our business base by extending to our medium- and smaller-sized corporate customers the expertise and product strengths that we have developed through our business with large and listed companies.

In our trust assets business (asset management and administration) we aim to shift to common use of existing infrastructure such as operations and systems and reduce costs rapidly as a unified Group. We also plan to develop the common use within the Group of our asset management platform, thus efficiently strengthening our asset management capabilities.

Our preparations for integration with UFJ Group are progressing smoothly and we intend to move rapidly to leverage the complementary branch networks and customer bases of the two groups in order to maximize integration synergies. We have already eliminated cross-use fees between the ATMs of Bank of Tokyo-Mitsubishi, UFJ Bank, Mitsubishi Trust and Banking and UFJ Trust Bank. We also plan to establish further operational tie-ups between the two groups in various business areas and achieve integration benefits before the formal integration date. Through integration, we will seek to achieve rationalization efficiencies, streamline headquarters functions, increase convenience and efficiency in our branch network, efficiently relocate staff, and integrate operations and systems.

In these ways, throughout MTFG we are actively promoting an integrated Group strategy, while through management integration with the UFJ Group we aim to create a premier global comprehensive financial group and raise corporate value.

(7) Corporate governance principles and status of implementation of corporate governance changes

<Corporate Governance Principles>

The Group Management Philosophy is the basic policy for forming management strategies and all activities relating to the business decisions the Company makes. The Company also established the MTFG Code of Ethics which is a set of common values and ethical principles to be shared by the employees of the Company.

In order to realize the principles of the Group Management Philosophy and MTFG Code of Ethics we are working to strengthen our corporate governance.

<MTFG Code of Ethics>

Establishment of Trust

Fully cognizant of the importance of the Group s social responsibilities and public role, we strive to maintain unwavering trust from society through the sound and proper management of our business activities, based on the principle of accountability.

Serving Our Clients First

We recognize that the satisfaction of our clients and their confidence in MTFG form the foundation of the Group s very existence. As such, we endeavor to always provide our clients with the highest quality products and services best suited to their needs.

Sound and Transparent Management

We endeavor to manage our affairs in a sound and transparent manner by maintaining appropriate and balanced relationships with all stakeholders, including clients, shareholders and others, while assuring fair, adequate and timely disclosure of corporate information.

Strict Observance of Laws, Regulations, and Internal Rules

We are committed to strictly observing relevant laws, regulations, and internal rules and to acting with fairness and integrity in conformity with the common values of society at large. As a diversified global financial services group, we also make continuous efforts to operate in ways that reflect internationally accepted standards.

Respect for Human Rights and the Environment

We respect human rights and the environment and seek to co-exist in harmony with society.

Disavowal of Anti-Social Elements

We stand firmly against supporting the activities of any group or individual that unlawfully threatens public order and safety.

<Status of Implementation of Corporate Governance Changes>

i. Corporate governance structures for decision making, administration and supervision

The Board of Directors of the Company is comprised of eleven directors, two of whom are outside directors. The Board of Directors decides the administration of the affairs of the Company and supervises the execution of duties of the directors.

The Company has a Board of Corporate Auditors pursuant to the Japanese Commercial Code. The Board of Corporate Auditors of the Company is comprised of five corporate auditors, two of whom are from outside the Company. Pursuant to the audit policies and plans adopted by the Board of Corporate Auditors, each corporate auditor oversees the execution of duties by the directors by attending meetings, including meetings of the Board of Directors, and by reviewing the business performance and financial conditions of the Company.

The Corporate Administration Division provides staffing support to all directors and corporate auditors, including the outside directors and outside corporate auditors.

From the perspective of strengthened corporate governance, in order to clearly separate the functions of the oversight of business and the execution of business, an executive officer system has been introduced. The Heads and Deputy Heads of the integrated business groups and heads of the major business lines are executive officers, and the seven managing officers and fourteen executive officers engage in executing business as decided by the Board of Directors. Pursuant to the basic policies adopted by the Board of Directors, the Executive Committee comprised of seven members, the Chairman, President, Deputy President, two Senior Managing Directors, and two directors nominated by the President, deliberates on and decides important management affairs of the Company.

The Company has also set up the Compliance Advisory Committee comprised of external lawyers and accountants and in addition has established the Advisory Board comprised of outside experts, and various committees and the Corporate Policy Meeting that serve as advisory bodies to the Executive Committee.

The main committees are as follows:

Management Planning Committee: The Management Planning Committee deliberates on and follows up on overall group policies, capital policies and financial planning. The committee convenes on a quarterly basis.

Internal Audit Committee: (Formerly the Audit & Compliance Committee): The Internal Audit Committee deliberates on important matters relating to internal audits of the Group overall. The committee convenes on a quarterly basis. (From October 2004 a separate Compliance Committee has been established that deliberates on matters related to legal compliance of the Group overall)

Disclosure Committee: The Disclosure Committee deliberates on the accuracy of disclosure and internal disclosure standards. The committee convenes at least four times a year.

Corporate Risk Management Committee: The Corporate Risk Management Committee deliberates on important matters relating to all types of risks across the entire Group. The committee convenes on a quarterly basis.

Credit & Investment Committee: The Credit & Investment Committee deliberates on important aspects of credit risk management across the entire Group. The committee convenes semi-annually.

Personnel Committee: The Personnel Committee deliberates with respect to personnel measures necessary to the management of the integrated business system. The committee convenes as needed.

Asset & Liability Management Committee: The Asset & Liability Management Committee deliberates on important aspects of investment and funding activities across the entire Group. The committee convenes semi-annually.

Operations & Systems Integration Committee: The Operations & Systems Integration Committee deliberates on the integration of Group operations and IT systems. The committee convenes semi-annually.

Credit Committee: The Credit Committee deliberates on important matters relating to the concentration of credit across the entire Group s portfolio. The committee convenes monthly.

Compliance Committee: The Compliance Committee deliberates on matters related to legal compliance of the Group overall. (Formerly the Audit & Compliance Committee deliberated on these matters but its role in this respect has been succeeded by the Compliance Committee as of October 2004).

Corporate Policy Meeting: The Corporate Policy Meeting deliberates and exchanges opinions from a broad perspective on fundamental policy with respect to matters of major importance regarding the integrated management and integrated business of the group. The meeting convenes as needed.

Compliance Advisory Committee: The Compliance Advisory Committee makes compliance related proposals and provides advice to the Board of Directors from an independent standpoint to improve the effectiveness of the Group s compliance activities. The committee convenes on a quarterly basis.

Advisory Board: The Advisory Board advises the Executive Committee on all aspects of management from an independent standpoint. The board convenes semi-annually.

The Company s framework of operation and audit and the framework of internal control are as follows:

The Company receives advice from external lawyers and accountants, if needed for the execution of its duties.

ii. Summary of related party transactions between the company and outside corporate auditors and outside directors

The outside directors and outside corporate auditors have no personal ties with other directors and corporate auditors, and do not have related party transactions with the Company which are material or that are unusual in their nature or conditions.

Ryotaro Kaneko, an outside director, also serves as President of Meiji Yasuda Life Insurance Company, with which the Company has a business relationship. Takuma Otoshi, an outside director, also serves as President of IBM Japan, Ltd., with which the Company has a business relationship.

iii. Implementation of measures to strengthen the corporate governance structure in the interim period ended September 2004

During the first half of fiscal year 2004, the Board of Directors met 16 times to decide the administration of affairs of the Group, and the Executive Committee met 27 times to deliberate on and decide important management affairs.

The Board of Corporate Auditors met 11 times and decided audit policies and plans. Pursuant to the audit policies and plans, each corporate auditor oversaw the execution of duties by the directors by attending key meetings, including meetings of the Board of Directors, and by reviewing the business performance and financial conditions of the Company. The Management Planning Committee and the Audit & Compliance Committee each met twice and the Disclosure Committee met 3 times. The Corporate Risk Management Committee met twice and the Personnel Committee, the Asset & Liability Management Committee and the Operations & Systems Integration Committee each met once. The Credit Committee met three times and the Corporate Policy Meeting met six times. The Compliance Advisory Committee met twice and provided proposals and advice to the Board of Directors. The Advisory Board met twice and provided advice to the Executive Committee.

With respect to the disclosure of corporate information, during the first half of the fiscal year Consolidated Financial Information with respect to the first quarter of fiscal 2004 (April to June) was for the first time provided to shareholders and customers. In addition, a Japanese-language 2004 Disclosure Report and a 2004 Mini-Disclosure Report for individual investors and customers was published and information on MTFG and group companies was regularly disclosed on the respective websites. Similarly, in the English-language, a 2004 Annual Report was published and information on MTFG and group companies was regularly disclosed on the respective websites.

3. Results of Operations and Financial Condition

(1) Results of operations

With respect to the financial and economic environment for the six months ended September 30, 2004, overseas economies moved toward recovery in the early part of the current period, particularly in the United States where the recovery was driven by large-scale tax cuts, and in China where domestic demand continued to expand. In the latter part of the current period, however, a degree of uncertainty returned to overseas economies as a result of the passing of the initial effect of the tax cut in the United States, measures to restrain investment in China and a sharp increase in crude oil prices.

In the Japanese economy, exports and capital expenditures rose due to increased overseas demand in the early part of the current period. Private consumption also steadily increased due to an improvement in consumer confidence. Nevertheless, the Japanese economy began slowing down again in the latter part of the current period. Consumer prices continued to decline.

Regarding the interest rate environment, in the EU, the European Central Bank s policy rate remained at 2%. On the other hand, in the United States, the federal funds rate was raised from 1% to 1.75% between June and September. In Japan, the Bank of Japan continued its current easy monetary policy and kept short-term interest rates at near zero percent. On the other hand, the yield on ten-year Japanese government bonds soared temporarily, reflecting bullish views about an expected economic recovery, before declining again.

In the foreign exchange markets, although the yen initially depreciated against the US dollar due to the increases in the federal funds rate, the exchange rate subsequently stabilized and remained within a narrow range.

Amidst this economic environment, net income for the six months ended September 30, 2004 was ¥171.6 billion, a decrease of ¥130.1 billion from ¥301.8 billion for the six months ended September 30, 2003. This decrease was primarily due to a number of factors. The first factor was a ¥119.6 billion increase in total credit costs, from a ¥63.2 billion reversal of total credit costs for the six months ended September 30, 2003 to ¥56.3 billion in total credit costs for the six months ended September 30, 2004. The second factor was a ¥28.9 billion decrease in net business profits before credit costs for trust accounts and provision for formula allowance for loan losses, from ¥417.8 billion for the six months ended September 30, 2003 to ¥388.9 billion for the six months ended September 30, 2004. The third factor was the absence of two special gains that were recorded in the six months ended September 30, 2003, ¥41.9 billion in refunded enterprise taxes by the Tokyo Metropolitan Government and special gains of ¥26.5 billion resulting from gains on the transfer of the substitutional portion of future pension obligations. As a result, for the six months ended September 30, 2004, ordinary profit was ¥310.3 billion and net income was ¥171.6 billion.

Ordinary profit by business segment was ¥235.7 billion for the banking segment, ¥57.7 billion for the trust banking segment and ¥6.4 billion for the securities segment. Ordinary profit (loss) by geographic segment was ¥221.8 billion in Japan, ¥74.3 billion in North America, ¥9.7 billion in Europe and the Middle East, ¥16.3 billion in Asia and Oceania excluding Japan, and an ordinary loss of ¥4.6 billion in Latin America.

The Company has the following earning projections for the fiscal year ending March 31, 2005.

Consolidated ordinary income	Consolidated ordinary profit	Consolidated net income
¥2,450,000 million	¥640,000 million	¥340,000 million

(Reference)

1. Projected net income per common share (consolidated)		¥	51,405.06
2. Projected net income per common share (non-consolidated)		¥	30,838.19
3. Projected dividend per share (non-consolidated)	Common stock	¥	6,000
	Preferred stock class1	¥	82,500

The Company s business and results of operations may be materially affected for a wide range of possible reasons (which may include those material to investors), including:

Increase of problem loans and credit-related expenses;

Risk that the proposed management integration with UFJ Group may be delayed, materially altered or abandoned and possible difficulties the Company may face in integrating operations of the UFJ Group;

Possible negative effects to our equity portfolio;

Risks relating to trading and investment activities;

Changes in interest rates in Japan or elsewhere in the world;

Inability to maintain BIS capital ratios above minimum levels;

Downgrade of the Company s credit ratings and the negative effect on the Company s treasury operations;

Ineffectiveness or failure of the Company s business strategies;

Risks accompanying the expansion of the Company s operation and the range of products and services;

Decline in the results of operations and financial conditions of the Company s subsidiaries;

Deterioration of economic conditions in Japan or elsewhere in the world (especially in Asian and Latin American countries);

Fluctuations in foreign currency exchange rates;

Risks relating to the increase of the Company s pension obligations;

Events that obligate the Company to compensate for losses in loan trusts and jointly operated designated money in trusts;

Disruption or impairment of the Company s business or operations due to external circumstances or events (such as the destruction or impairment of the Company s business sites and terrorist attacks);

Risks relating to the Company s capabilities to protect confidential information;

Risks relating to regulatory developments or changes in laws, rules, including accounting rules, governmental policies and economic controls;

Increase in competitive pressures;

Risks inherent in the Company s holding company structure; and

Possible negative effects related to owning our shares.

For a detailed discussion of these risks and other risks, uncertainties, possible changes and others, please see the Company s most recent public filings.

(2) Financial condition

Loans and bills discounted increased by ¥830.8 billion from ¥46,590.1 billion at March 31, 2004 to ¥47,420.9 billion at September 30, 2004. This change consisted mainly of an increase of ¥246.8 billion in domestic loans, an increase of ¥223.0 billion in loans made by overseas subsidiaries (UnionBanCal Corporation and Bank of Tokyo-Mitsubishi Trust Company) and an increase of ¥238.9 billion in domestic housing loans.

Investment securities increased by ¥5,360.8 billion, from ¥28,329.5 billion at March 31, 2003 to ¥33,690.3 billion at September 30, 2004.

Total shareholders equity increased by ¥11.1 billion, from ¥4,295.2 billion at March 31, 2003 to ¥4,306.4 billion at September 30, 2004.

For the six months ended September 30, 2004, net cash provided by operating activities was ¥6,106.1 billion, net cash used in investing activities was ¥5,490.8 billion and net cash used in financing activities was ¥30.7 billion. As a result, the balance of cash and cash equivalents at September 30, 2004 was ¥3,625.1 billion.

The Company s consolidated risk adjusted capital ratio (based on applicable regulatory standards) was 10.92% at September 30, 2004.

The following table shows the Company s consolidated risk adjusted capital ratio at September 30, 2003, March 31, 2004 and September 30, 2004.

	(in billions, except for percentages)		
	At September 30, 2003	At March 31, 2004	At September 30, 2004 (Preliminary basis)
Tier I capital	¥ 3,683.7	¥ 3,859.4	¥ 4,025.9
Tier II capital	¥ 3,127.2	¥ 3,157.8	¥ 2,818.0
Tier III capital	¥ 29.9	¥ 30.0	
Deduction from total qualifying capital	¥ 51.0	¥ 54.5	¥ 894.3
Total qualifying capital	¥ 6,789.7	¥ 6,992.7	¥ 5,949.6

Risk-adjusted assets	¥ 54,543.3	¥ 53,996.7	¥ 54,457.1
Consolidated risk-adjusted capital ratio (based on applicable regulatory standards)	12.44%	12.95%	10.92%

Note) Tier II and Tier III capital represent amounts includable as qualifying capital.

(Japanese GAAP)

Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

	As of September 30,			As of March 31,	
	2004 (A)	2003 (B)	(A) (B)	2004 (C)	(A) (C)
(in millions of yen)					
Assets:					
Cash and due from banks	**7,641,687**	9,912,534	(2,270,847)	6,511,422	1,130,264
Call loans and bills bought	**343,348**	937,576	(594,227)	893,805	(550,456)
Receivables under resale agreements	**951,074**	521,366	429,708	1,336,995	(385,921)
Receivables under securities borrowing transactions	**4,637,860**	5,763,393	(1,125,532)	5,572,154	(934,294)
Commercial paper and other debt purchased	**1,633,157**	1,167,667	465,490	1,338,092	295,064
Trading assets	**7,626,950**	6,460,498	1,166,452	6,572,110	1,054,840
Money held in trust	**451,935**	470,220	(18,284)	469,377	(17,441)
Investment securities	**33,690,393**	22,265,644	11,424,748	28,329,543	5,360,849
Allowance for losses on investment securities	**(1,262)**	(2,937)	1,675	(1,948)	686
Loans and bills discounted	**47,420,986**	46,420,701	1,000,284	46,590,131	830,854
Foreign exchanges	**653,654**	589,994	63,659	559,382	94,272
Other assets	**2,997,373**	4,394,439	(1,397,065)	3,217,991	(220,617)
Premises and equipment	**863,350**	942,775	(79,425)	889,580	(26,229)
Deferred tax assets	**719,396**	1,055,185	(335,789)	711,680	7,716
Deferred tax assets on land revaluation loss		1,803	(1,803)		
Customers liabilities for acceptances and guarantees	**4,580,375**	4,853,440	(273,065)	4,457,806	122,569
Allowance for loan losses	**(801,804)**	(1,043,299)	241,494	(832,638)	30,834
Total assets	**113,408,478**	104,711,005	8,697,473	106,615,487	6,792,991
Liabilities:					
Deposits	**67,082,418**	65,186,659	1,895,759	66,097,591	984,826
Negotiable certificates of deposit	**3,896,695**	3,729,540	167,155	2,819,588	1,077,106
Debentures	**30,752**	516,603	(485,851)	265,056	(234,304)
Call money and bills sold	**9,083,330**	4,334,966	4,748,363	6,879,141	2,204,189
Payables under repurchase agreements	**5,182,015**	3,536,865	1,645,150	3,316,268	1,865,747
Payables under securities lending transactions	**4,221,383**	4,558,290	(336,906)	3,415,952	805,431
Commercial paper	**632,079**	717,989	(85,909)	637,006	(4,927)
Trading liabilities	**2,933,887**	1,634,106	1,299,780	2,824,399	109,487
Borrowed money	**1,304,542**	1,446,930	(142,388)	1,342,691	(38,148)
Foreign exchanges	**1,134,219**	920,205	214,013	1,081,271	52,948
Short-term corporate bonds	**368,900**	213,500	155,400	340,200	28,700
Bonds and notes	**3,818,578**	3,830,193	(11,615)	3,734,610	83,967
Bonds with warrants	**49,165**	50,528	(1,363)	50,000	(835)
Due to trust account	**1,367,460**	1,336,541	30,919	1,380,268	(12,808)
Other liabilities	**2,794,984**	3,517,798	(722,813)	3,079,852	(284,867)
Reserve for employees bonuses	**19,727**	17,231	2,495	16,881	2,846
Reserve for employees retirement benefits	**38,320**	32,473	5,846	34,932	3,388
Reserve for expenses related to EXPO 2005 Japan	**211**	103	107	158	53
Reserves under special laws	**1,305**	1,049	256	1,160	144
Deferred tax liabilities	**65,440**	65,638	(197)	56,131	9,309
Deferred tax liabilities on land revaluation excess	**134,023**	128,396	5,626	138,926	(4,902)
Acceptances and guarantees	**4,580,375**	4,853,440	(273,065)	4,457,806	122,569
Total liabilities	**108,739,818**	100,629,052	8,110,766	101,969,895	6,769,922

Minority interest	**362,227**	339,745	22,481	350,347	11,880
Shareholders equity:					
Capital stock	**1,258,052**	1,258,052		1,258,052	
Capital surplus	**931,154**	931,304	(149)	931,309	(155)
Retained earnings	**1,659,442**	1,244,197	415,244	1,506,576	152,866
Land revaluation excess	**151,260**	186,364	(35,104)	158,044	(6,784)
Unrealized gains on securities available for sale	**422,926**	186,295	236,631	560,316	(137,390)
Foreign currency translation adjustments	**(112,955)**	(60,670)	(52,284)	(115,424)	2,468
Less treasury stock	**(3,447)**	(3,335)	(111)	(3,631)	183
Total shareholders equity	**4,306,432**	3,742,207	564,225	4,295,243	11,188
Total liabilities, minority interest and shareholders equity	**113,408,478**	104,711,005	8,697,473	106,615,487	6,792,991

See Notes to Consolidated Financial Statements.

(Japanese GAAP)

Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Consolidated Statements of Operations

	For the six months ended September 30,			For the year ended
(in millions of yen)	**2004 (A)**	2003 (B)	(A) (B)	March 31, 2004
Ordinary income:				
Interest income:				
Interest on loans and discounts	**414,602**	454,784	(40,182)	873,427
Interest and dividends on securities	**165,661**	178,509	(12,848)	340,494
Other interest income	**109,401**	123,071	(13,670)	203,802
Total interest income	**689,664**	756,365	(66,700)	1,417,724
Trust fees	**46,115**	36,452	9,662	86,461
Fees and commissions	**273,568**	234,025	39,542	487,786
Trading profits	**51,609**	76,177	(24,567)	135,647
Other business income	**103,940**	169,633	(65,693)	243,377
Other ordinary income	**93,266**	88,275	4,990	184,186
Total ordinary income	**1,258,164**	1,360,929	(102,765)	2,555,183
Ordinary expenses:				
Interest expense:				
Interest on deposits	**87,029**	84,492	2,536	161,921
Interest on debentures	**348**	2,310	(1,962)	4,030
Other interest expense	**96,628**	137,472	(40,843)	224,543
Total interest expense	**184,006**	224,276	(40,269)	390,496
Fees and commissions	**32,249**	38,224	(5,975)	66,102
Trading losses	**1,362**	4,136	(2,773)	
Other business expenses	**62,232**	108,115	(45,882)	152,803
General and administrative expenses	**526,211**	523,123	3,088	1,047,735
Other ordinary expenses	**141,793**	189,621	(47,827)	319,674
Total ordinary expenses	**947,857**	1,087,497	(139,639)	1,976,811
Ordinary profit	**310,306**	273,432	36,874	578,371
Special gains:				
Gains on sales of premises and equipment	**2,584**	2,316	268	4,376
Gains on loans charged-off	**12,358**	15,348	(2,990)	26,425
Reduction in reserve for contingent liabilities from brokering of financial futures transactions		26	(26)	26
Reversal of allowance for loan losses	**11,340**	163,548	(152,208)	239,965
Refund of enterprise taxes by the Tokyo Metropolitan Government		41,958	(41,958)	41,989
Gains on transfer of the substitutional portion of future pension obligations		26,503	(26,503)	26,503
Other special gains	**512**		512	

Total Special gains	**26,795**	249,702	(222,906)	339,286
Special losses:				
Losses on sales of premises and equipment	**5,107**	9,572	(4,465)	15,773
Losses on impairment of fixed assets	**3,978**		3,978	21,586
Provision for reserve for contingent liabilities from brokering of securities transactions	**144**	276	(131)	387
Other special losses		4,952	(4,952)	7
Total Special losses	**9,230**	14,800	(5,570)	37,754
Income before income taxes and others	**327,872**	508,334	(180,461)	879,903
Income taxes-current	**39,605**	25,503	14,101	45,956
Income taxes-deferred	**95,687**	159,516	(63,829)	230,650
Minority interest	**20,901**	21,436	(534)	42,480
Net income	**171,678**	301,877	(130,199)	560,815

See Notes to Consolidated Financial Statements.

(Japanese GAAP)

Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Consolidated Statements of Capital Surplus and Retained Earnings

(in millions of yen)	For the six months ended September 30, 2004 (A)	2003 (B)	(A) (B)	For the year ended March 31, 2004
Consolidated Statements of Capital Surplus				
Balance of capital surplus at beginning of fiscal year	**931,309**	932,016	(707)	932,016
Decrease:	**(155)**	(712)	557	(707)
Losses on sales of treasury stock, net of income taxes	**(155)**	(712)	557	(707)
Balance of capital surplus at end of (interim) fiscal year	**931,154**	931,304	(149)	931,309
Consolidated Statements of Retained Earnings				
Balance of retained earnings at beginning of fiscal year	**1,506,576**	962,347	544,228	962,347
Increase:	**195,262**	310,932	(115,669)	577,123
Net income	**171,678**	301,877	(130,199)	560,815
Reduction in land revaluation excess	**6,782**	9,054	(2,271)	16,286
Decrease in consolidated subsidiaries				22
Increase in companies accounted for by the equity method	**16,802**		16,802	
Decrease:	**(42,396)**	(29,082)	(13,314)	(32,895)
Cash dividends	**(42,316)**	(29,078)	(13,237)	(32,891)
Bonuses to directors of consolidated subsidiaries	**(80)**	(3)	(76)	(3)
Balance of retained earnings at end of (interim) fiscal year	**1,659,442**	1,244,197	415,244	1,506,576

See Notes to Consolidated Financial Statements.

(Japanese GAAP)

Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	For the six months ended September 30,			For the year ended
	2004 (A)	2003 (B)	(A) (B)	March 31, 2004
(in millions of yen)				
Cash flows from operating activities:				
Income before income taxes and others	**327,872**	508,334	(180,461)	879,903
Depreciation	**53,131**	46,061	7,070	106,495
Impairment losses	**3,978**		3,978	21,586
Goodwill amortization	**1,586**	(599)	2,186	551
Equity in loss (earnings) of affiliates	**(7,573)**	(1,232)	(6,340)	(3,595)
Increase (decrease) in allowance for loan losses	**(30,563)**	(253,853)	223,289	(455,972)
Increase (decrease) in allowance for losses on investment securities	**(512)**	1,121	(1,633)	1,194
Increase (decrease) in reserve for employees bonuses	**2,846**	202	2,643	(147)
Increase (decrease) in reserve for employees retirement benefits	**3,110**	(4,502)	7,613	(1,467)
Increase (decrease) in reserve for expenses related to EXPO 2005 Japan	**53**	53	0	107
Interest income recognized on statement of operations	**(689,664)**	(756,365)	66,700	(1,417,724)
Interest expenses recognized on statement of operations	**184,006**	224,276	(40,269)	390,496
Investment securities losses (gains)	**(23,933)**	10,035	(33,969)	20,149
Losses (gains) on money held in trust	**918**	(3,895)	4,813	(6,992)
Foreign exchange losses (gains)	**(270,271)**	302,701	(572,972)	495,113
Losses (gains) on sales of premises and equipment	**2,522**	7,721	(5,199)	11,395
Net decrease (increase) in trading assets	**(1,043,781)**	(831,976)	(211,805)	(966,983)
Net increase (decrease) in trading liabilities	**101,583**	53,836	47,747	1,260,653
Adjustment of unsettled trading accounts	**46,792**	(44,595)	91,388	140,034
Net decrease (increase) in loans and bills discounted	**(787,427)**	587,495	(1,374,922)	(41,889)
Net increase (decrease) in deposits	**937,980**	2,511,203	(1,573,223)	3,894,086
Net increase (decrease) in negotiable certificates of deposit	**1,077,314**	(317,583)	1,394,897	(1,224,926)
Net increase (decrease) in debentures	**(234,304)**	(119,456)	(114,847)	(371,003)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	**(52,776)**	(54,327)	1,551	(89,963)
Net decrease (increase) in due from banks (excluding cash equivalents)	**(536,777)**	244,440	(781,217)	597,067
Net decrease (increase) in call loans and bills bought and others	**675,893**	(589,857)	1,265,750	(1,592,137)
Net decrease (increase) in receivables under securities borrowing transactions	**945,922**	(3,284,170)	4,230,092	(3,152,785)
Net increase (decrease) in call money and bills sold and others	**4,041,454**	961,881	3,079,572	3,315,174
Net increase (decrease) in commercial paper	**(6,196)**	(54,575)	48,379	(117,078)
Net increase (decrease) in payables under securities lending transactions	**791,198**	667,873	123,324	(399,401)
Net decrease (increase) in foreign exchanges (assets)	**(94,272)**	19,949	(114,222)	50,562
Net increase (decrease) in foreign exchanges (liabilities)	**52,948**	387,258	(334,310)	548,324
Net increase (decrease) in issuance and redemption of short-term corporate bonds	**28,700**	203,500	(174,800)	330,200
Net increase (decrease) in issuance and redemption of unsubordinated bonds and notes	**50,569**	127,506	(76,937)	255,847
Net increase (decrease) in due to trust account	**(12,808)**	(65,076)	52,268	(21,349)
Interest income (cash basis)	**722,444**	810,788	(88,344)	1,466,611
Interest expenses (cash basis)	**(193,029)**	(272,624)	79,594	(442,499)
Other	**64,899**	(301,910)	366,809	(428,749)
Sub-total	**6,133,834**	719,638	5,414,196	3,050,886
Income taxes	**(27,662)**	(19,489)	(8,172)	(51,096)
Net cash provided by (used in) operating activities	**6,106,171**	700,148	5,406,023	2,999,790

Cash flows from investing activities:

Purchases of investment securities	**(41,117,087)**	(23,411,837)	(17,705,249)	(47,839,599)
Proceeds from sales of investment securities	**19,947,002**	17,576,271	2,370,731	29,004,862
Proceeds from maturities of investment securities	**15,664,556**	6,969,299	8,695,256	14,981,518
Increase in money held in trust	**(29,075)**	(61,595)	32,520	(65,949)
Decrease in money held in trust	**48,374**	5,043	43,330	9,349
Purchases of premises and equipment	**(17,770)**	(15,173)	(2,596)	(49,867)
Proceeds from sales of premises and equipment	**14,460**	32,040	(17,580)	59,827
Proceeds from sales of equity of subsidiaries resulting exclusion from consolidation		2,022	(2,022)	5,948
Additional purchases of equity of consolidated subsidiaries	**(1,319)**		(1,319)	
Net cash provided by (used in) investing activities	**(5,490,858)**	1,096,071	(6,586,929)	(3,893,910)
Cash flows from financing activities:				
Increase in subordinated borrowings	**85,200**	104,345	(19,145)	112,499
Decrease in subordinated borrowings	**(77,150)**	(139,845)	62,694	(174,999)
Increase in subordinated bonds and notes and bonds with warrants	**67,306**	191,642	(124,335)	304,155
Decrease in subordinated bonds and notes and bonds with warrants	**(49,607)**	(17,057)	(32,549)	(323,285)
Proceeds from issuance of common stock	**4,581**		4,581	10,000
Proceeds from issuance of common stock to minority shareholders		9,422	(9,422)	38,407
Dividend paid by the parent	**(42,264)**	(29,010)	(13,254)	(32,850)
Dividend paid by subsidiaries to minority shareholders	**(11,607)**	(13,372)	1,764	(5,678)
Purchases of treasury stock	**(416)**	(139)	(276)	(467)
Proceeds from sales of treasury stock	**1,105**	910	194	949
Purchases of treasury stock by consolidated subsidiaries	**(8,176)**		(8,176)	
Proceeds from sales of treasury stock by consolidated subsidiaries	**259**		259	
Net cash provided by (used in) financing activities	**(30,770)**	106,895	(137,665)	(71,269)
Effect of exchange rate changes on cash and cash equivalents	**6,057**	2,772	3,285	(49,616)
Net increase (decrease) in cash and cash equivalents	**590,600**	1,905,887	(1,315,287)	(1,015,005)
Cash and cash equivalents at beginning of fiscal year	**3,034,525**	4,049,530	(1,015,005)	4,049,530
Cash and cash equivalents at end of (interim) fiscal year	**3,625,125**	5,955,417	(2,330,292)	3,034,525

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Notes related to the Consolidated Balance Sheet as of September 30, 2004 are as follows:

1. Basis of Presentation

The accompanying Consolidated Balance Sheet of Mitsubishi Tokyo Financial Group, Inc. (MTFG) and its subsidiaries is compiled as required by the Banking Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as compared to the application and disclosure requirements of International Accounting Standards. For the convenience of readers, the presentation is modified in certain respects from the original Japanese report. The amounts are presented in millions of yen and are rounded down to the nearest million.

2. Trading Assets and Liabilities

Transactions for trading purposes (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from gaps among markets) are included in Trading assets and Trading liabilities on a trade date basis.

Trading assets and Trading liabilities are stated at market value at interim fiscal year end.

3. Investment Securities

Debt securities being held to maturity are stated at amortized cost computed by the moving-average method (straight-line amortization). Other securities (securities available for sale) whose current value can be estimated are stated at market value at interim fiscal year end (sale cost is calculated by the moving-average method) and other non-marketable securities are stated at cost or amortized cost computed by the moving-average method. Unrealized gains and losses on securities available for sale are included in shareholders equity, net of income taxes, other than the case that the securities embedding derivatives are measured at fair value in their entirety and the change in the fair value is recognized in current earnings.

4. Securities in Money Held in Trust

Securities included in Money held in trust of sole investment mainly for the purpose of security investment are stated at the same method as described in notes 2. and 3.

5. Derivatives

Derivatives for purposes other than trading are stated at market value in principle.

6. Premises and Equipment

Depreciation for buildings and equipment of MTFG and its domestic banking subsidiary and trust banking subsidiary is computed using the declining-balance method.

Principal estimated useful lives are as follows:

Buildings	15 years to 50 years
Equipment and furniture	4 years to 15 years

Depreciation for buildings and equipment of other consolidated subsidiaries is computed principally using the straight-line method based on the estimated useful lives.

7. Software

Costs of computer software developed or obtained for internal use are deferred and amortized using the straight-line method over the estimated useful lives of 5 to 10 years.

8. Bond Discount and Bond Issuance Cost

Bond discount is amortized over the remaining life of the bond.

Bond issuance cost is charged to expenses when incurred.

9. Translation of Foreign Currency Items

Foreign currency assets and liabilities and overseas branches accounts of MTFG s domestic banking subsidiary and trust banking subsidiary are principally translated into yen equivalents at the exchange rates prevailing at interim fiscal year end, except equity securities of affiliated companies which are translated into yen equivalents at the exchange rates prevailing at the acquisition date for those securities.

Foreign currency assets and liabilities of other consolidated subsidiaries are principally translated into yen equivalents at the exchange rates prevailing at interim fiscal year end of each company.

10. Allowance for Loan Losses

An allowance for loan losses of MTFG s primary domestic consolidated subsidiaries is provided as detailed below, pursuant to the internal rules for self-assessment of asset quality and the internal rules for providing allowances for credit losses:

For claims to debtors who are legally bankrupt (due to bankruptcy, special liquidation, suspension of transactions with banks by the rules of clearing houses, etc.) or virtually bankrupt, an allowance is provided based on the amount of claims, after the charge-off as stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to debtors who are likely to become bankrupt for which future cash flows could not be reasonably estimated, an allowance is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to debtors who are likely to become bankrupt and to be closely watched for which future cash flows could be reasonably estimated, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claim.

For other claims, an allowance is provided based on historical loan loss experience.

The allowance for loans to specific foreign borrowers is provided based on the amount of expected losses due to the political and economic situation of their respective countries.

All claims are assessed by the branches and credit supervision divisions based on the internal rules for self-assessment of asset quality. The credit examination divisions, which are independent from branches and credit supervision divisions, subsequently conduct audits of their assessments, and an allowance is provided based on audit results.

For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged-off and the amount was ¥482,508 million.

An allowance for loan losses of other consolidated subsidiaries is provided based on historical loan losses experience or estimated collectibility of specific claims.

11. Allowance for Losses on Investment Securities

An allowance for losses on investment securities is provided based on the estimated losses on non-marketable debt securities.

12. Reserve for Employees Bonuses

A reserve for employees bonuses is provided for the payment of employees bonuses based on estimated amounts of the future payments attributed to the current interim fiscal year.

13. Reserve for Employees Retirement Benefits

A reserve for employees retirement benefits is provided for the payment of employees retirement benefits based on estimated amounts of the actuarial retirement benefit obligation and the related pension assets. Prior service cost is amortized using the straight-line method over 10 years. Net actuarial gain (loss) is amortized using the straight-line method over 10 years commencing from the next fiscal year of incurrence. The unrecognized net retirement benefit obligation at the adoption of new accounting standard is being amortized using the straight-line method over 5 years.

14. Equipment Used under Finance Lease Agreements

Equipment used under finance lease agreements is accounted for as equipment leased under operating leases, except for those leases which transfer ownership of leased equipment to the lessee, in which case the equipment is capitalized.

15. Hedge Accounting for Interest Rate Risks

With respect to hedge accounting for interest rate risks arising from financial assets and liabilities, MTFG s domestic banking subsidiary and trust banking subsidiary have principally adopted portfolio hedges or individual hedges prescribed in the Industry Audit Committee Report No. 24 and the Accounting Committee Report No. 14, Practical Guidelines for Accounting for Financial Instruments issued by the JICPA on January 31, 2000. The method of the hedge accounting is the deferral method.

In hedging activities to offset changes in the fair value of fixed rate deposits and loans etc., MTFG s domestic banking subsidiary and trust banking subsidiary distinguish hedged items by grouping the hedged items by their maturities and designate interest rate swap transactions etc. as hedging instruments individually or in accordance with the Industry Audit Committee Report No. 24. In hedging activities offsetting changes in the fair value of fixed rate bonds, they distinguish hedged items by individual bond or identical type of bonds and designate interest rate swap transactions etc. as hedging instruments.

In hedging activities to fix forecasted cash flows on variable rate or short-term fixed rate deposits and loans etc., MTFG s domestic banking subsidiary and trust banking subsidiary distinguish hedged items by grouping the hedged items by their index interest rates and repricing terms and designate interest rate swap transactions etc. as hedging instruments in accordance with the Industry Audit Committee Report No. 24. Since material terms related to the hedged items and hedging instruments are substantially identical, hedge relationship is deemed to be highly effective and the hedge effectiveness testing is substituted. Effectiveness is also tested by correlation of fluctuation factors in interest rates.

Deferred hedge losses and deferred hedge gains recorded on the balance sheet as of March 31, 2003 as a result of the macro hedge accounting are realized as expenses or income over the remaining lives of the hedging instruments (at most 15 years from 2003). Deferred hedge losses and deferred hedge gains attributable to the macro hedge accounting as of September 30, 2004 were ¥140,550 million and ¥174,476 million, respectively.

16. Hedge Accounting for Foreign Exchange Risks

With respect to hedge accounting for foreign exchange risks attributable to foreign-currency-denominated financial assets and liabilities, MTFG s domestic banking subsidiary and trust banking subsidiary have applied the deferral hedge accounting by distinguishing hedged items by grouping the foreign-currency-denominated financial assets and liabilities by currencies and designating currency swap transactions and forward exchange contracts (funds swap transactions) as hedging instruments, pursuant to the Industry Audit Committee Report No. 25.

They also engage in portfolio hedge to hedge foreign exchange risk attributable to foreign-currency-denominated investments in affiliated companies and foreign-currency-denominated securities available for sale (other than bonds), using foreign-currency-denominated liabilities and forward exchange contracts under identical currency as hedging instruments. They apply the deferral hedge method to foreign-currency-denominated investments in affiliated companies and the fair value hedge method to foreign-currency-denominated securities available for sale (other than bonds).

17. Intercompany and Intracompany Swap Transactions

With respect to the intercompany and intracompany derivative transactions, realized gains (losses) or valuation gains (losses) on the interest rate swap transactions and currency swap transactions are reported in current earnings or deferred as assets or liabilities without elimination if mirror transactions with the third parties against these swap transactions designated as hedging instruments are appropriately conducted in conformity with the non-arbitrary and strict hedging policy in accordance with the Industry Audit Committee Report No. 24 and No. 25.

18. Consumption Taxes

The National Consumption Tax and the Local Consumption Tax are excluded from transaction amounts. The portion of the National Consumption Tax and the Local Consumption Tax, which were paid on the purchase of premises and equipment and which are not deductible as a tax credit, are charged to expenses when incurred.

19. Reserve for Expenses Related to EXPO 2005 Japan

A reserve for expenses related to EXPO 2005 Japan is provided for the expenses related to the participation in the EXPO 2005 Japan scheduled to be held in 2005 based on the estimated contractual participation expenses allocated over the period. The reserve is provided pursuant to Article 43 of the Commercial Code and includes the allowance provided pursuant to Article 68-52 of the Special Taxation Measures Law.

20. Reserves under Special Laws

Pursuant to Article 82 of the Financial Futures Transactions Law, a reserve for contingent liabilities from brokering of financial futures transactions of ¥31 million was provided.

Pursuant to Article 51 of the Securities and Exchange Law, a reserve for contingent liabilities from brokering of securities transactions of ¥1,274 million was provided.

21. Consolidated Corporate-tax System

MTFG and certain domestic consolidated subsidiaries adopt consolidated corporate-tax system, with MTFG being a parent company under the system.

22. Impairment of Fixed Assets

Effective April 1, 2003, the MTFG Group adopted Accounting Standards for Impairment of Fixed Assets issued by the Business Accounting Council on August 9, 2002 and Financial Accounting Standard Implementation Guidance No. 6, Implementation Guidance for Accounting Standard for Impairment of Fixed Assets issued by the Accounting Standards Board of Japan, ASBJ on October 31, 2003, because their early adoption in the fiscal year ended March 31, 2004 was permitted.

23. Due from Directors of MTFG

Due from directors of MTFG was ¥89 million.

24. Accumulated Depreciation

Accumulated depreciation on premises and equipment was ¥622,588 million.

25. Accumulated Deferred Gains on Sales of Real Estate

Accumulated deferred gains on sales of real estate of ¥45,484 million were deducted from the acquisition cost of newly acquired premises and equipment.

26. Nonaccrual Loans

Loans to customers in bankruptcy and past due loans are included in Loans and bills discounted, and the amounts were ¥33,746 million and ¥1,173,309 million, respectively. The amount of past due loans included loans of ¥610 million entrusted to the Resolution and Collection Corporation, which facilitates the removal of problem loans from balance sheet.

Loans are generally placed on nonaccrual status when substantial doubt is judged to exist as to ultimate collectibility of either principal or interest if they are past due for a certain period or for other reasons. Loans to customers in bankruptcy represent nonaccrual loans, after the partial charge-off of claims deemed uncollectible, to debtors who are legally bankrupt, which are defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of Enforcement Ordinance for the Corporation Tax Law. Past due loans are nonaccrual loans other than loans to customers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of debtors in financial difficulties.

27. Accruing Loans Contractually Past Due 3 Months or More

Accruing loans contractually past due 3 months or more are included in Loans and bills discounted, and the amount was ¥11,898 million. Loans classified as loans to customers in bankruptcy or past due loans are excluded.

28. Restructured Loans

Restructured loans are included in Loans and bills discounted, and the amount was ¥325,637 million. Such restructured loans are loans on which concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount or maturity amount of the debt or accrued interest) have been granted to debtors in financial difficulties to assist them in their financial recovery and eventually to be able to repay to creditors. Loans classified as loans to customers in bankruptcy, past due loans or accruing loans contractually past due 3 months or more are excluded.

29. Nonaccrual Loans, Accruing Loans Contractually Past Due 3 Months or More and Restructured Loans

Total amount of nonaccrual loans, accruing loans contractually past due 3 months or more and restructured loans was ¥1,544,591 million. The amount of past due loans included loans of ¥610 million entrusted to the Resolution and Collection Corporation, which facilitates the removal of problem loans from balance sheet.

The amounts reflected in Notes 26. to 29. represent the gross receivable amounts prior to reduction for the allowance for loan losses.

30. Bills Discounted

Bills discounted are accounted for as secured lending transactions in conformity with the Industry Audit Committee Report No.24. Bills accepted by other banks, commercial bills, bills of exchange, and foreign bills bought discounted by MTFG s domestic banking subsidiary and trust banking subsidiary are permitted to be sold or pledged and the total face value was ¥743,000 million.

31. Assets Pledged

Assets pledged as collateral were as follows:

Cash and due from banks	¥ 1,876 million
Commercial paper and other debt purchased	¥ 4,792 million
Trading assets	¥ 177,297 million
Investment securities	¥ 2,782,097 million
Loans and bills discounted	¥ 4,528,666 million
Premises and equipment	¥ 28,569 million

Liabilities related to the pledged assets were as follows:

Deposits	¥ 232,475 million
Call money and bills sold	¥ 6,969,200 million
Borrowed money	¥ 28,898 million
Bonds and notes	¥ 79,491 million
Other liabilities	¥ 8,066 million
Acceptances and guarantees	¥ 1,796 million

In addition, Cash and due from banks of ¥288,174 million, Commercial paper and other debt purchased of ¥17 million, Trading assets of ¥26,665 million, Investment securities of ¥5,176,425 million, Loans and bills discounted of ¥1,106,569 million and Other assets of ¥4,184 million were pledged as collateral for settlement of exchange or derivatives transactions or as valuation margin.

Commercial paper and other debt purchased of ¥28,189 million, Trading assets of ¥3,223,757 million and Investment securities of ¥3,569,278 million were sold under repurchase agreements or lent under secured lending transactions, and Payables under repurchase agreements of ¥4,196,452 million and Payables under securities lending transactions of ¥2,997,813 million were corresponding.

Bills rediscounted are accounted for secured borrowing transactions in conformity with the Industry Audit Committee Report No.24. The total face value of bills accepted by other banks, commercial bills, and bills of exchange rediscounted by MTFG s domestic banking subsidiary and trust banking subsidiary was ¥18,727 million.

32. Land Revaluation Excess

Pursuant to the Law concerning Revaluation of Land, March 31, 1998, land used for business operations of domestic subsidiaries has been revalued as of the following dates. Land revaluation excess is included in Shareholders equity, net of income taxes. The land revaluation excess includes MTFG s ownership percentage of affiliated companies land revaluation excess.

Date of the revaluation:

Domestic banking subsidiary	March 31, 1998
Domestic trust banking subsidiary	March 31, 2002
Other domestic subsidiaries	December 31, 2001

The method of the revaluation as set forth in Article 3, Paragraph 3 of the Law:

Pursuant to Article 2, Subparagraph 4 of the Enforcement Ordinance for the Law concerning Revaluation of Land, the

land price for the revaluation is determined based on the method established and published by the Director General of National Tax Agency in order to calculate the land value for a basis of determining the taxable amount subject to land value tax prescribed by Article 16 of the Land Value Tax Law, reflecting appropriate adjustments for land shape and timing of the assessment and based on real estate appraisal information defined by Paragraph 5 of the Law.

Land used for business operations of a certain affiliated company has been revalued as of March 31, 2002.

33. Subordinated Borrowings

Subordinated borrowings of ¥716,290 million were included in Borrowed money.

34. Subordinated Bonds

Subordinated bonds of ¥1,525,593 million were included in Bonds and notes.

35. Guaranteed Trusts

Principal amounts of Jointly operated designated money trusts and Loan trusts of MTFG s trust banking subsidiary, for which repayment of the principal to the customers is guaranteed, were ¥915,281 million and ¥1,004,308 million, respectively.

36. Net Assets per Common Share

Net assets per common share were ¥623,070.24.

37. Write Down of Investment Securities

Marketable securities other than trading securities are written down when a decline in the market value below the cost of the securities is substantial and the valuation differences are recognized as losses, based upon the judgment that the decline in market value is other than temporary at the current interim fiscal year-end. A substantial decline in the market value is recognized based on the classification of issuers as follows, pursuant to the internal rules for self-assessment of asset quality:

Issuers who are legally bankrupt, virtually bankrupt or likely to become bankrupt: Market value is lower than cost

Issuers who are to be closely watched: Market value is 30% or more lower than cost

Other issuers: Market value is 50% or more lower than cost

38. Market Value of Securities

Market value and valuation differences of securities were as follows. Securities below include trading securities, trading commercial paper and trading short-term corporate bonds classified as Trading assets, negotiable certificates of deposits classified as Cash and due from banks and investments in commodity investment trusts classified as Commercial paper and other debt purchased. The same definition is applied in Notes 39. to 41.

Trading securities

Balance sheet amount	¥ 6,805,250 million
Valuation profits included in Income before income taxes and others	¥ 8,428 million

Marketable debt securities being held to maturity

	(in millions of yen)				
	Balance sheet amount	Market value	Differences	Gains	Losses
Domestic bonds	1,792,718	1,806,309	13,590	13,590	
Government bonds	1,648,689	1,656,678	7,989	7,989	
Municipal bonds	100,005	103,744	3,738	3,738	
Corporate bonds	44,024	45,886	1,862	1,862	
Other securities	368,615	370,357	1,741	1,954	212
Foreign bonds	69,355	71,097	1,741	1,954	212
Other	299,259	299,259			
Total	2,161,334	2,176,667	15,332	15,544	212

Marketable securities available for sale

(in millions of yen)

	Cost	Balance sheet amount	Valuation differences	Gains	Losses
Domestic equity securities	2,508,010	3,142,643	634,632	744,276	109,644
Domestic bonds	20,192,100	20,216,217	24,116	45,435	21,318
Government bonds	18,272,652	18,288,827	16,175	35,779	19,604
Municipal bonds	210,303	211,565	1,262	2,137	874
Corporate bonds	1,709,145	1,715,823	6,678	7,518	839
Other securities	7,642,773	7,689,726	46,952	100,044	53,091
Foreign equity securities	20,434	34,436	14,001	14,520	519
Foreign bonds	5,821,554	5,849,643	28,089	52,886	24,797
Other	1,800,783	1,805,646	4,862	32,637	27,775
Total	30,342,884	31,048,586	705,702	889,757	184,054

Among the valuation differences above, the amounts of shareholders equity, net of income taxes were ¥705,558 million as a result of recognizing ¥143 million profits, which were related to the securities embedding derivatives and measured in their entirety, in current earnings. Those amounts, net of ¥285,590 million of related deferred tax liabilities, were ¥419,968 million. Net valuation differences, excluding minority interest of ¥700 million and adding MTFG s ownership percentage of affiliates unrealized gains on securities available for sale of ¥2,257 million, were ¥422,926 million which were included in Unrealized gains on securities available for sale.

39. Securities Available for Sale Sold

Securities available for sale sold during the interim fiscal year were as follows:

(in millions)

Proceeds from sales	Gains	Losses
¥19,986,193	¥ 116,337	¥ 59,596

40. Securities Not Stated at Market Value

The balance sheet amounts of principal securities not stated at market value were as follows:

	Balance sheet amount
Debt Securities being held to maturity	

Foreign bonds	¥ 13,574 million
Securities available for sale	
Domestic equity securities	¥ 1,015,921 million
Domestic corporate bonds	¥ 528,431 million
Foreign bonds	¥ 48,548 million

41. Redemption Schedule of Bonds

Redemption schedule of bonds classified as securities available for sale and being held to maturity was as follows:

	(in millions of yen)			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Domestic bonds	12,023,151	7,842,279	1,631,717	1,044,415
Government bonds	11,356,231	6,120,586	1,427,602	1,033,095
Municipal bonds	69,242	158,562	87,967	
Corporate bonds	597,677	1,563,130	116,147	11,319
Other bonds	853,966	3,926,149	1,135,135	1,573,466
Foreign bonds	477,799	3,699,398	921,674	844,105
Other	376,167	226,750	213,460	729,361
Total	12,877,118	11,768,428	2,766,852	2,617,882

42. Money Held in Trust

Classification of Money held in trust was as follows:

Money held in trust for trading purposes

Balance sheet amount	¥ 335,105 million
Valuation gains included in Income before income taxes and others	¥ 11 million

Other Money held in trust

(in millions)				
Cost	Balance sheet amount	Valuation differences	Gains	Losses
¥116,830	¥116,830			

43. Securities Lent/Borrowed

Unsecured securities lent for which borrowers have rights of sale or pledge were included in Trading assets and Investment securities. The amount was ¥128 million and ¥733 million, respectively.

With respect to borrowed securities, received securities as collateral for call loans and purchased securities under resale agreements that are permitted to be sold or pledged, ¥2,625,073 million were pledged, ¥483,146 million were lent and ¥4,579,774 million were held at hand at this interim fiscal year end.

44. Loan Commitments

Contracts of overdraft facilities and loan commitment limits are contracts under which customers are lent to up to the prescribed limits in response to the customers application for a loan as long as there is no violation of any condition in the contracts. The unused amount within the limits relating to these contracts was ¥30,979,116 million.

Since many of these commitments expire without being drawn, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that allow MTFG and its consolidated subsidiaries to refuse the customers application for a loan or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers creditworthiness, etc.). At the inception of contracts, MTFG and its consolidated subsidiaries obtain real estate, securities, etc. as collateral if considered to be necessary. Subsequently, MTFG and its consolidated subsidiaries perform periodic reviews of the customers business results based on internal rules, and take necessary measures to reconsider conditions in contracts and/or require additional collateral and guarantees.

Notes related to the Consolidated Statement of Operations for the six months ended September 30, 2004 are as follows:

1. Basis of Presentation

The accompanying Consolidated Statement of Operations is compiled as required by the Banking Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as compared to application and disclosure requirements of International Accounting Standards. For the convenience of readers, the presentation is modified in certain respects from the original Japanese report. The amounts are presented in millions of yen and are rounded down to the nearest million.

2. Net Income per Common Share

Net income per common share was ¥25,924.96.

3. Trading Profits and Losses

Profits and losses on trading transactions (dividends and interest, gains or losses on sales, and valuation gains or losses) are shown as Trading profits or Trading losses on a trade date basis.

4. Other Ordinary Income

Other ordinary income included gains on sales of equity securities of ¥42,943 million.

5. Other Ordinary Expenses

Other ordinary expenses included losses on sales or exchange of loans and other claims of ¥38,182 million, losses on equity securities charge-offs of ¥33,549 million, losses on loan charge-offs of ¥28,597 million and losses on sales of equity securities of ¥14,121 million .

6. Enterprise Taxes

With the implementation of the Revision of the Local Tax Law (Legislation No.9, March, 2003) on March 31, 2003, a part of tax basis of enterprise taxes was changed to amount of value-added and amount of capital in the fiscal year started April 1, 2004. MTFG and certain domestic consolidated subsidiaries have presented enterprise taxes computed based on amount of value-added and amount of capital in general and administrative expenses in the Consolidated Statement of Operations based on Practical Treatment of Presentation in Income Statement for

Enterprise Taxes through External Standards Taxation (February 13, 2004, ASBJ-Report of Practical Issues No.12) .

Note related to the Consolidated Statement of Capital Surplus and Retained Earnings for the six months ended September 30, 2004 is as follows:

1. Basis of Presentation

The accompanying Consolidated Statement of Capital Surplus and Retained Earnings is compiled as required by the Banking Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as compared to application and disclosure requirements of International Accounting Standards. For the convenience of readers, the presentation is modified in certain respects from the original Japanese report. The amounts are presented in millions of yen and are rounded down to the nearest million.

Notes related to the Consolidated Statement of Cash Flows for the six months ended September 30, 2004 are as follows:

1. Basis of Presentation

The accompanying Consolidated Statement of Cash Flows is compiled as required by the Banking Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as compared to application and disclosure requirements of International Accounting Standards. For the convenience of readers, the presentation is modified in certain respects from the original Japanese report. The amounts are presented in millions of yen and are rounded down to the nearest million.

2. Definition of Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as those amounts included in Cash and due from banks excluding time deposits and negotiable certificates of deposits in other banks.

3. Reconciliation to the Cash and Cash Equivalents

The reconciliation of the Cash and due from banks in the Consolidated Balance Sheet to the Cash and cash equivalents at end of interim fiscal year is as follows:

	(in millions)
Cash and due from banks	¥ 7,641,687
Time deposits and negotiable certificates of deposit in other banks	(4,016,561)
Cash and cash equivalents at end of interim fiscal year	¥ 3,625,125

Mitsubishi Tokyo Financial Group, Inc., and Subsidiaries

Significant Policies in Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 154

Significant companies

The Bank of Tokyo-Mitsubishi, Ltd.

The Mitsubishi Trust and Banking Corporation

(2) Non-consolidated subsidiaries

Companies

KOKUSAI Europe Limited

KOKUSAI America Incorporated

Non-consolidated subsidiaries are excluded from the scope of consolidation since their assets, ordinary income, and our ownership percentage of their net income or retained earnings do not have a material impact on our results of operations or financial condition.

2. Application of the Equity Method

(1) Number of affiliated companies accounted for by the equity method: 25

Significant companies

ACOM Co., Ltd.

Diamond Lease Co., Ltd.

The Master Trust Bank of Japan, Ltd.

Diamond Computer Service Co., Ltd.

M&T Information Technology Co., Ltd.

BOT Lease Co., Ltd.

MTBC Bank Deutschland GmbH

ACOM Co., Ltd. is included in affiliated companies accounted for by the equity method due to acquirement of shares from this fiscal year.

(2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method

Companies

KOKUSAI Europe Limited

KOKUSAI America Incorporated

Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method are excluded from the scope of the equity method since our ownership percentage of their net income or retained earnings do not have a material impact on our consolidated financial statements.

3. Interim Fiscal Year Ends of Consolidated Subsidiaries

(1) Interim fiscal year ends of consolidated subsidiaries are as follows:

April 30	:	2	subsidiaries	August 31	:	1	subsidiary
June 30	:	100	subsidiaries	September 30	:	51	subsidiaries

(2) Subsidiaries whose interim fiscal year ends are April 30 are consolidated based on their financial statements ended on July 31. Other subsidiaries are consolidated based on financial statements for their respective interim fiscal year ends. Significant transactions occurred during the intervening periods are reflected in the consolidated financial statements.

Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Segment Information

1. Business segment information

<For the six months ended September 30, 2004>

(in millions of yen)

	Banking	Trust Banking	Securities	Other	Total	(Elimination)	Consolidated
Ordinary income:							
(1) Ordinary income from customers	881,408	223,290	83,743	69,721	1,258,164		1,258,164
(2) Internal ordinary income among segments	13,127	7,037	8,867	190,934	219,967	(219,967)	
Total ordinary income	894,535	230,327	92,611	260,656	1,478,131	(219,967)	1,258,164
Ordinary expenses	658,774	172,558	86,154	65,779	983,266	(35,409)	947,857
Ordinary profit	235,761	57,769	6,456	194,876	494,864	(184,557)	310,306

Notes:

1. Other primarily includes credit card and leasing businesses.
2. Ordinary profit for Other includes dividend of 183,257 million yen from MTFG s domestic banking subsidiary and trust banking subsidiary.

<For the six months ended September 30, 2003>

(in millions of yen)

	Banking	Trust Banking	Securities	Other	Total	(Elimination)	Consolidated
Ordinary income:							
(1) Ordinary income from customers	937,791	262,566	92,013	68,557	1,360,929		1,360,929
(2) Internal ordinary income among segments	11,140	9,811	6,063	45,841	72,857	(72,857)	
Total ordinary income	948,932	272,378	98,077	114,398	1,433,786	(72,857)	1,360,929

Ordinary expenses	774,880	206,952	75,610	66,289	1,123,732	(36,235)	1,087,497
Ordinary profit	174,051	65,426	22,467	48,108	310,054	(36,621)	273,432

Notes:

1. Other primarily includes credit card and leasing businesses.
2. The derivatives, which were embedded in hybrid financial instruments and not required to be accounted separately from the host contracts, had been accounted for on an accrual basis together with the host contracts. Since the beginning of the current interim fiscal year, such embedded derivatives have been measured at market value and their valuation gains (losses) have been reported in current earnings if they are managed separately from the host contracts.

Such hybrid financial instruments had been risk adjusted in the macro hedge accounting. Since the beginning of the current interim fiscal year, MTFG s domestic banking subsidiary and trust banking subsidiary have adopted the standard treatments of the Industry Audit Committee Report No. 24 and, therefore, valuation gains (losses) on the derivatives which used to be risk adjusting instruments in the macro hedge accounting are reported in current earnings. In response to this change, they changed the accounting for the embedded derivatives, which had been accounted together with the host contracts, and measured them at market value and reported their valuation gains (losses) in current earnings if they are managed separately from the host contracts.

As a result, ordinary profit increased by 7,442 million yen, and its effect in the Banking segment and the Trust Banking segment was 4,519 million yen and 2,923 million yen, respectively.

<For the year ended March 31, 2004>

(in millions of yen)

	Banking	Trust Banking	Securities	Other	Total	(Elimination)	Consolidated
Ordinary income:							
(1) Ordinary income from customers	1,758,067	483,201	179,776	134,137	2,555,183		2,555,183
(2) Internal ordinary income among segments	26,576	15,920	16,177	73,836	132,510	(132,510)	
Total ordinary income	1,784,643	499,122	195,954	207,973	2,687,694	(132,510)	2,555,183
Ordinary expenses	1,392,766	368,205	152,144	129,868	2,042,984	(66,173)	1,976,811
Ordinary profit	391,877	130,916	43,810	78,104	644,709	(66,337)	578,371

Notes:

1. Other primarily includes credit card and leasing businesses.
2. The derivatives, which were embedded in hybrid financial instruments and not required to be accounted separately from the host contracts, had been accounted for on an accrual basis together with the host contracts. Since the beginning of the current fiscal year, such embedded derivatives have been measured at market value and their valuation gains (losses) have been reported in current earnings if they are managed separately from the host contracts.

Such hybrid financial instruments had been risk adjusted items in the macro hedge accounting. Since the beginning of the current fiscal year, MTFG s domestic banking subsidiary and trust banking subsidiary have adopted the standard treatments of the Industry Audit Committee Report No. 24 and, therefore, valuation gains (losses) on the derivatives which used to be risk adjusting instruments in the macro hedge accounting are reported in current earnings. In response to this change, they changed the accounting for the embedded derivatives, which had been accounted together with the host contracts, and measured them at market value and reported their valuation gains (losses) in current earnings if they are managed separately from the host contracts. As a result, ordinary profit increased by 10,435 million yen, and its effect in the Banking segment and the Trust Banking segment was 8,885 million yen and 1,550 million yen, respectively.

3. In the current fiscal year, a part of derivative business for trading purpose of MTFG s domestic banking subsidiary is transplanted to Mitsubishi Securities Co., Ltd.. Therefore, ordinary profit and expenses for Securities includes that for the transplanted business.

Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

2. Geographic segment information

<For the six months ended September 30, 2004>

(in millions of yen)

	Japan	North America	Latin America	Europe/ Mid. East	Asia/Oceania excl. Japan	Total	(Elimination)	Consolidated
Ordinary income:								
(1) Ordinary income from customers	884,694	227,208	5,739	94,441	46,079	1,258,164		1,258,164
(2) Internal ordinary income among segments	20,610	7,135	9,112	14,849	9,188	60,895	(60,895)	
Total ordinary income	905,304	234,343	14,852	109,291	55,267	1,319,059	(60,895)	1,258,164
Ordinary expenses	683,475	159,968	19,471	99,570	38,903	1,001,389	(53,532)	947,857
Ordinary profit (loss)	221,828	74,375	(4,618)	9,720	16,364	317,670	(7,363)	310,306

Note:

1. North America includes United States and Canada. Latin America primarily includes the Caribbean, Panama and Brazil. Europe/Middle East primarily includes United Kingdom, Germany and Netherlands. Asia/Oceania excluding Japan primarily includes Hong Kong, Singapore and China.

<For the six months ended September 30, 2003>

(in millions of yen)

	Japan	North America	Latin America	Europe/ Mid. East	Asia/Oceania excl. Japan	Total	(Elimination)	Consolidated
Ordinary income:								
(1) Ordinary income from customers	933,034	249,995	10,283	117,722	49,893	1,360,929		1,360,929
(2) Internal ordinary income among segments	33,041	1,780	10,000	21,139	4,760	70,722	(70,722)	

Total ordinary income	966,076	251,776	20,283	138,861	54,653	1,431,652	(70,722)	1,360,929
Ordinary expenses	807,681	176,443	21,189	107,988	35,976	1,149,280	(61,783)	1,087,497
Ordinary profit (loss)	158,394	75,333	(906)	30,873	18,676	282,371	(8,938)	273,432

Notes:

1. North America includes United States and Canada. Latin America primarily includes the Caribbean, Panama and Brazil. Europe/Middle East primarily includes United Kingdom, Germany and Netherlands. Asia/Oceania excluding Japan primarily includes Hong Kong, Singapore and China.
2. The derivatives, which were embedded in hybrid financial instruments and not required to be accounted separately from the host contracts, had been accounted for on an accrual basis together with the host contracts. Since the beginning of the current interim fiscal year, such embedded derivatives have been measured at market value and their valuation gains (losses) have been reported in current earnings if they are managed separately from the host contracts.

Such hybrid financial instruments had been risk adjusted in the macro hedge accounting. Since the beginning of the current interim fiscal year, MTFG s domestic banking subsidiary and trust banking subsidiary have adopted the standard treatments of the Industry Audit Committee Report No. 24 and, therefore, valuation gains (losses) on the derivatives which used to be risk adjusting instruments in the macro hedge accounting are reported in current earnings. In response to this change, they changed the accounting for the embedded derivatives, which had been accounted together with the host contracts, and measured them at market value and reported their valuation gains (losses) in current earnings if they are managed separately from the host contracts.

As a result, ordinary profit increased by 7,442 million yen, and its effect in Japan and North America was 7,138 million yen and 304 million yen, respectively.

<For the year ended March 31, 2004>

(in millions of yen)

	Japan	North America	Latin America	Europe/ Mid. East	Asia/Oceania excl. Japan	Total	(Elimination)	Consolidated
Ordinary income:								
(1) Ordinary income from customers	1,791,099	445,309	12,734	212,057	93,982	2,555,183		2,555,183
(2) Internal ordinary income among segments	75,041	8,111	21,897	39,537	11,193	155,780	(155,780)	
Total ordinary income	1,866,140	453,420	34,632	251,594	105,176	2,710,964	(155,780)	2,555,183
Ordinary expenses	1,480,462	316,804	40,581	198,885	75,377	2,112,111	(135,299)	1,976,811
Ordinary profit (loss)	385,678	136,616	(5,949)	52,709	29,798	598,853	(20,481)	578,371

Notes:

1. North America includes United States and Canada. Latin America primarily includes the Caribbean, Panama and Brazil. Europe/Middle East primarily includes United Kingdom, Germany and Netherlands. Asia/Oceania excluding Japan primarily includes Hong Kong, Singapore and China.
2. The derivatives, which were embedded in hybrid financial instruments and not required to be accounted separately from the host contracts, had been accounted for on an accrual basis together with the host contracts. Since the beginning of the current fiscal year, such embedded derivatives have been measured at market value and their valuation gains (losses) have been reported in current earnings if they are managed separately from the host contracts.

Such hybrid financial instruments had been risk adjusted items in the macro hedge accounting. Since the beginning of the current fiscal year, MTFG s domestic banking subsidiary and trust banking subsidiary have adopted the standard treatments of the Industry Audit Committee Report No. 24 and, therefore, valuation gains (losses) on the derivatives which used to be risk adjusting instruments in the macro hedge accounting are reported in current earnings. In response to this change, they changed the accounting for the embedded derivatives, which had been accounted together with the host contracts, and measured them at market value and reported their valuation gains (losses) in current earnings if they are managed separately from the host contracts. As a result, ordinary profit increased by 10,435 million yen, and its effect in Japan and North America was 9,974 million yen and 461 million yen, respectively.

Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

3. Ordinary income from overseas operations

	(in millions of yen)		
	Ordinary income from overseas operations	Consolidated ordinary income	Ordinary income from overseas operations as a percentage of consolidated ordinary income
For the six months ended September 30, 2004	373,469	1,258,164	29.6%
For the six months ended September 30, 2003	427,894	1,360,929	31.4%
For the year ended March 31, 2004	764,083	2,555,183	29.9%

Note:

1. Ordinary income from overseas operations consists of income from transactions of the overseas branches of MTFG s domestic banking subsidiary and trust banking subsidiary, and MTFG s overseas subsidiaries (excluding internal ordinary income among consolidated companies).

Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Investment securities

Following tables include:

Investment securities

Trading securities, trading commercial paper and trading short-term corporate bonds in Trading assets

Negotiable certificates of deposits in Cash and due from banks

Beneficiary certificates of commodity investment trusts in Commercial Paper and other debt purchased .

1. Marketable debt securities being held to maturity

	(in millions of yen)				
	As of September 30, 2003				
	Balance sheet amount	Market value	Differences	Gains	Losses
Domestic bonds	180,862	187,271	6,408	6,411	2
Government bonds	3,269	3,408	138	138	
Municipal bonds	116,762	120,589	3,826	3,828	2
Corporate bonds	60,829	63,273	2,444	2,444	
Foreign bonds	74,926	78,892	3,966	3,967	0
Other	182,338	182,338			
Total	438,127	448,502	10,375	10,378	3

2. Marketable securities available for sale

(in millions of yen)

As of September 30, 2003

	Cost	Balance sheet amount	Valuation differences	Gains	Losses
Domestic equity securities	3,023,771	3,277,796	254,024	494,697	240,672
Domestic bonds	11,144,886	11,110,315	(34,570)	28,869	63,440
Government bonds	9,354,067	9,315,897	(38,169)	18,519	56,689
Municipal bonds	390,704	393,589	2,885	4,415	1,530
Corporate bonds	1,400,114	1,400,828	713	5,934	5,220
Foreign equity securities	16,764	34,512	17,748	18,089	340
Foreign bonds	6,162,404	6,252,956	90,552	121,124	30,571
Other	1,547,968	1,534,812	(13,155)	14,923	28,078
Total	21,895,795	22,210,394	314,599	677,703	363,104

3. Principal securities not stated at market value

	(in millions of yen)
	As of September 30, 2003
	Balance sheet amount
Debt securities being held to maturity	
Foreign bonds	20,442
Securities available for sale	
Domestic equity securities	170,093
Domestic corporate bonds	339,304
Foreign bonds	65,148

Money held in trust

Money held in trust other than trading purpose and being held to maturity

(in millions of yen)

As of September 30, 2003				
Cost	Balance sheet amount	Valuation differences	Gains	Losses
134,190	134,508	317	317	

Unrealized gains (losses) on securities available for sale

The classification of unrealized gains (losses) on securities available for sale on the consolidated balance sheet is as follows:

	(in millions of yen)
	As of September 30, 2003
Valuation differences	314,917
Securities available for sale	314,599
Money held in trust other than trading purpose and being held to maturity	317
Deferred tax liabilities	(127,093)
Net valuation differences	187,823
Minority interest	(2,528)
MTFG s ownership percentage of affiliates unrealized gains on securities available for sale	1,000
Unrealized gains on securities available for sale	186,295

Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Investment securities

Following tables include:

Investment securities

Trading securities, trading commercial paper and trading short-term corporate bonds in Trading assets

Negotiable certificates of deposits in Cash and due from banks

Securities and beneficiary certificates of merchandise investment in Commercial Paper and other debt purchased .

1. Trading securities

(in millions of yen)

As of March 31, 2004	
Balance sheet amount	Valuation losses recognized on statement of operations
5,655,999	(3,823)

2. Marketable debt securities being held to maturity

(in millions of yen)

	As of March 31, 2004				
	Balance sheet amount	Market value	Differences	Gains	Losses
Domestic bonds	1,159,458	1,165,842	6,383	7,602	1,218

Government bonds	998,942	999,449	507	1,724	1,217
Municipal bonds	108,526	112,230	3,703	3,704	0
Corporate bonds	51,988	54,162	2,173	2,173	
Foreign bonds	74,239	76,825	2,586	2,592	5
Other	168,118	168,152	34	34	
Total	1,401,815	1,410,820	9,004	10,228	1,224

3. Marketable securities available for sale

	(in millions of yen)				
	As of March 31, 2004				
	Cost	Balance sheet amount	Valuation differences	Gains	Losses
Domestic equity securities	2,768,443	3,553,772	785,328	891,328	105,999
Domestic bonds	15,703,795	15,707,190	3,394	40,723	37,328
Government bonds	13,989,184	13,986,921	(2,263)	31,617	33,880
Municipal bonds	243,459	244,981	1,522	2,734	1,212
Corporate bonds	1,471,150	1,475,286	4,136	6,371	2,235
Foreign equity securities	15,012	29,518	14,506	14,827	321
Foreign bonds	6,316,837	6,424,133	107,296	115,867	8,570
Other	1,475,136	1,512,124	36,987	51,846	14,858
Total	26,279,224	27,226,739	947,514	1,114,592	167,078

4. Securities available for sale sold

(in millions of yen)		
For the year ended March 31, 2004		
Proceeds from sales	Gains on sales	Losses on sales
28,653,515	224,278	211,230

5. Principal securities not stated at market value

(in millions of yen)
As of March 31, 2004
Balance sheet amount

Debt securities being held to maturity	
Foreign bonds	13,749
Securities available for sale	
Domestic equity securities	182,534
Domestic corporate bonds	410,366
Foreign bonds	18,935

6. Redemption schedules of bonds

(in millions of yen)

	As of March 31, 2004			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Domestic bonds	8,211,601	6,917,038	1,020,579	1,132,321
Government bonds	7,818,442	5,246,113	793,757	1,127,550
Municipal bonds	92,371	168,187	97,475	
Corporate bonds	300,787	1,502,737	129,346	4,771
Foreign bonds	1,047,316	4,350,417	447,576	653,007
Other	261,669	232,304	188,395	501,545
Total	9,520,586	11,499,760	1,656,551	2,286,875

Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Money held in trust

1. Money held in trust for trading purpose

(in millions of yen)

As of March 31,2004	
Balance sheet amount	Valuation gains recognized on statement of operations
334,316	8,247

2. Money held in trust other than trading purpose and being held to maturity

(in millions of yen)

As of March 31, 2004				
Cost	Balance sheet amount	Valuation differences	Gains	Losses
134,664	135,061	396	396	

Unrealized gains (losses) on securities available for sale

The classification of unrealized gains (losses) on securities available for sale on the consolidated balance sheet is as follows:

	(in millions of yen) As of March 31, 2004
Valuation differences	947,719
Securities available for sale	947,322
Money held in trust other than trading purpose and being held to maturity	396
Deferred tax liabilities	(386,457)
Net valuation differences	561,261

Minority interest	(3,001)
MTFG s ownership percentage of affiliates unrealized gains on securities available for sale	2,056
Unrealized gains on securities available for sale	560,316

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notional principal or contract amount, market value and valuation gains (losses) on derivatives

The publication is omitted in order to be disclosed by EDINET.

<Reference>

1. Derivatives qualified for hedge-accounting

	(in billions of yen)	
	As of September 30, 2004	
	Notional principal or contract amount	Market value
Interest rate futures	5,839.2	(1.2)
Interest rate swaps	30,054.3	104.8
Currency swaps	5,044.2	(37.0)
Other interest rate-related transactions	797.3	3.1
Others	0.8	(0.0)
Total		69.6

Note: Derivatives which are accounted for on an accrual basis based on Accounting standard for financial instruments are not included in the table above.

Notional principal by the remaining life of the interest rate swaps above is as follows.

	(in billions of yen)			
	As of September 30, 2004			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years	Total
Receive-fix/pay-floater	6,597.0	14,624.9	1,357.3	22,579.3
Receive-floater/pay-fix	3,373.1	2,462.2	1,629.5	7,464.9

Receive-floater/pay-floater		10.0		10.0
Total	9,970.2	17,097.2	2,986.8	30,054.3

2. Deferred gains (losses)

	(in billions of yen)		
	As of September 30, 2004		
	Deferred gains	Deferred losses	Net gains (losses)
	(A)	(B)	(A) (B)
Interest rate futures	10.5	11.0	(0.5)
Interest rate swaps	252.0	229.1	22.8
Currency swaps	23.2	21.0	2.2
Other interest rate-related transactions	1.2	0.2	0.9
Others	2.3	2.4	(0.1)
Total	289.3	263.9	25.4

Note: Deferred gains (losses) attributable to the macro hedge accounting as of September 30, 2004 are included in the above table.

Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

<Reference>

1. Derivatives qualified for hedge-accounting

	(in billions of yen)	
	As of September 30, 2003	
	Notional principal or contract amount	Market value
Interest rate futures	4,268.8	(6.4)
Interest rate swaps	26,448.7	81.5
Currency swaps	4,734.3	96.6
Other interest rate-related transactions	3.9	0.0
Others	350.7	(0.0)
Total		171.7

Note: Derivatives which are accounted for on an accrual basis based on Accounting standard for financial instruments are not included in the table above.

Notional principal by the remaining life of the interest rate swaps above is as follows.

	(in billions of yen)			
	As of September 30, 2003			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years	Total
Receive-fix/pay-floater	7,456.0	11,388.1	986.7	19,831.0
Receive-floater/pay-fix	2,763.3	2,662.7	1,167.2	6,593.3
Receive-floater/pay-floater	14.3		10.0	24.3
Total	10,233.8	14,050.8	2,164.0	26,448.7

2. Deferred gains (losses)

	(in billions of yen)		
	As of September 30, 2003		
	Deferred gains	Deferred losses	Net gains (losses)
	(A)	(B)	(A) (B)
Interest rate futures	31.5	29.9	1.5
Interest rate swaps	448.3	445.2	3.1
Currency swaps	41.4	35.8	5.5
Other interest rate-related transactions	3.7	3.5	0.1
Others	23.0	25.4	(2.4)
Total	548.0	540.1	7.8

Note: Deferred gains (losses) attributable to the macro hedge accounting as of September 30, 2003 are included in the above table.

Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

<Reference>

1. Derivatives qualified for hedge-accounting

	(in billions of yen)	
	As of March 31, 2004	
	Notional principal or contract amount	Market value
Interest rate futures	5,921.2	2.4
Interest rate swaps	26,922.0	91.4
Currency swaps	3,994.9	17.9
Other interest rate-related transactions	3.8	0.0
Others	0.6	0.6
Total		112.5

Note: Derivatives which are accounted for on an accrual basis based on Accounting standard for financial instruments are not included in the table above.

Notional principal by the remaining life of the interest rate swaps above is as follows.

	(in billions of yen)			
	As of March 31, 2004			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years	Total
Receive-fix/pay-floater	6,089.5	12,283.2	1,318.4	19,691.2
Receive-floater/pay-fix	3,042.5	2,685.5	1,492.7	7,220.8
Receive-floater/pay-floater		10.0		10.0
Total	9,132.0	14,978.7	2,811.2	26,922.0

2. Deferred gains (losses)

	(in billions of yen)		
	As of March 31, 2004		
	Deferred gains	Deferred losses	Net gains (losses)
	(A)	(B)	(A) (B)
Interest rate futures	17.7	13.8	3.8
Interest rate swaps	325.2	305.1	20.0
Currency swaps	37.2	39.1	(1.9)
Other interest rate-related transactions	0.1	0.1	
Others	4.0	4.4	(0.3)
Total	384.3	362.6	21.6

Note: Deferred gains (losses) attributable to the macro hedge accounting as of March 31, 2004 are included in the above table.

Interim Non-Consolidated Summary Report

<under Japanese GAAP>

for the Fiscal Year Ending March 31, 2005

Date:	November 24, 2004
Company name (code number):	Mitsubishi Tokyo Financial Group, Inc. (8306) (URL http://www.mtfg.co.jp)
Stock exchange listings:	Tokyo, Osaka, New York, London
Headquarters:	Tokyo
Representative:	Nobuo Kuroyanagi, President & CEO
For inquiry:	Katsuhiko Ishizuka, Chief Manager Financial Policy Division (Phone) +81-3-3240-8211
Date of resolution of Board of Directors with respect to the interim non-consolidated financial statements:	November 24, 2004
Interim dividends policy:	Yes
Unit share system:	No

1. Non-consolidated financial data for the six months ended September 30, 2004

(1) Operating results

(in millions of yen except per share data and percentages)

	For the six months ended September 30, 2004	For the six months ended September 30, 2003	For the year ended March 31, 2004
Operating income	**187,924**	42,493	69,321
Change from the previous year	**342.2%**	76.1%	
Operating profit	**184,170**	40,429	64,735
Change from the previous year	**355.5%**	80.4%	
Ordinary profit	**183,263**	40,269	64,426
Change from the previous year	**355.1%**	80.4%	
Net income	**183,200**	40,304	64,474
Change from the previous year	**354.5%**	82.8%	
Net income per common share	**27,696.42**	5,828.98	9,003.89

Notes:

1. *Average number of shares outstanding:*

For the six months ended September 30, 2004:		
(common stock)	*6,493,370*	*shares*
(preferred stock class 1)	*81,400*	*shares*
(preferred stock class 2)	*8,196*	*shares*
For the six months ended September 30, 2003:		
(common stock)	*6,260,288*	*shares*
(preferred stock class 1)	*81,400*	*shares*
(preferred stock class 2)	*89,614*	*shares*
For the year ended March 31, 2004:		
(common stock)	*6,350,814*	*shares*
(preferred stock class 1)	*81,400*	*shares*
(preferred stock class 2)	*58,039*	*shares*

2. *Changes in accounting policy: No*

(2) Payment of dividends

(in yen)

	For the six months ended September 30,					For the year ended March 31,		
	2004		2003			2004		
	Common stock	**Preferred stock class 1**	Common stock	Preferred stock class 1	Preferred stock class 2	Common stock	Preferred stock class 1	Preferred stock class 2
Interim dividends per share	**0**	**41,250**	0	41,250	8,100			
Total dividends per share paid for the fiscal year						6,000	82,500	16,200

(3) Financial condition

(in millions of yen except per share data and percentages)

	As of September 30,		As of March 31,
	2004	2003	2004
Total assets	**5,129,492**	4,284,607	4,321,389
Shareholders equity	**4,423,039**	4,262,486	4,282,547
Shareholders equity as a percentage of total liabilities and shareholders equity	**86.2%**	99.5%	99.1%
Shareholders equity per common share	**640,735.04**	613,905.15	618,015.33

Notes:

1. *Number of shares outstanding as of:*

September 30, 2004:		
(common stock)	*6,516,705*	*shares*
(preferred stock-class 1)	*81,400*	*shares*
September 30, 2003:		
(common stock)	*6,356,150*	*shares*
(preferred stock-class 1)	*81,400*	*shares*
(preferred stock-class 2)	*56,200*	*shares*

March 31, 2004:	
(common stock)	*6,474,038 shares*
(preferred stock-class 1)	*81,400 shares*
(preferred stock-class 2)	*15,000 shares*

2. *Number of treasury stocks outstanding as of:*

September 30, 2004:	*2,442 shares*
September 30, 2003:	*1,711 shares*
March 31, 2004:	*2,061 shares*

2. Earning projections for the fiscal year ending March 31, 2005

(in millions of yen)

Operating income	Ordinary profit	Net income
227,000	206,000	206,000

(in yen)

	For the six months ending March 31, 2005	For the year ending March 31, 2005
Dividends per share: Common stock	6,000	6,000
Preferred stock class 1	41,250	82,500

Projected net income per common share for the year ending March 31, 2005 (yen): 30,838.19

(Reference)

Formulas for computing ratios for the six months ended September 30, 2004 are as follows.

Net income per common share

Net income Total dividends on preferred stock
Average number of common stock during the period *

Shareholders equity per common share

Shareholders equity at end of period Deduction from shareholders equity**
Number of common stock at end of period *

Formula for computing projected earning ratio for the fiscal year ending March 31, 2005 is as follows.

Projected net income per common share

Projected net income Projected total dividends on preferred stock
Number of common stock at end of period *

* excluding treasury stock

** number of preferred stock at end of period × issue price + total dividends on preferred stock

This financial summary report and the accompanying financial highlights contain forward-looking statements and other forward-looking information relating to the company and/or the group as a whole (the forward-looking statements). The forward-looking statements are not historical facts and include, reflect or are otherwise based upon, among other things, the company s current estimations, projections, views, policies, business strategies, targets, expectations, assumptions and evaluations with respect to general economic conditions, its results of operations, its financial condition, its management in general and other future events. Accordingly, they are inherently susceptible to uncertainties, risks and changes in circumstances and are not guarantees of future performance.

Some forward-looking statements represent targets that the company s management will strive to achieve through the successful implementation of the company s business strategies. The company may not be successful in implementing its business strategy, and actual results may differ materially, for a wide range of possible reasons. Other forward-looking statements reflect the assumptions and estimations upon which the calculation of deferred tax assets has been based and are themselves subject to the full range of uncertainties, risks and changes in circumstances outlined above.

In light of the many risks, uncertainties and possible changes, you are advised not to put undue reliance on the forward-looking statements. The company is under no obligation and expressly disclaims any obligation to update or alter the forward-looking statements, except as may be required by any applicable laws and regulations or stock exchange rules.

For detailed information relating to uncertainties, risks and changes regarding the forward-looking statements, please see the company s latest annual report and other disclosures.

Mitsubishi Tokyo Financial Group, Inc.

Non-Consolidated Balance Sheets

(in millions of yen)	As of September 30, 2003		As of September 30, **2004**		As of March 31, 2004	
Assets:						
Current assets:						
Cash and bank deposits	41,721		**36,867**		57,571	
Accounts receivable	29,844		**41,449**		51,315	
Other	400		**961**		36	
Total current assets	71,966	1.7%	**79,278**	**1.6%**	108,923	2.5%
Fixed assets:						
Premises and equipment	339		**466**		308	
Intangible assets	529		**484**		554	
Investments and other assets	4,210,912		**5,048,746**		4,210,914	
Investments in subsidiaries	4,210,347		**4,348,217**		4,210,347	
Investments securities			**700,000**			
Other	564		**528**		566	
Total fixed assets	4,211,781	98.3%	**5,049,697**	**98.4%**	4,211,778	97.5%
Deferred charges	859	0.0%	**515**	**0.0%**	687	0.0%
Total assets	4,284,607	100.0%	**5,129,492**	**100.0%**	4,321,389	100.0%
Liabilities:						
Current liabilities:						
Short-term borrowings			**400,000**			
Accounts payable	21,873		**5,576**		38,703	
Reserve	73		**137**		74	
Other	174		**739**		64	
Total current liabilities	22,121	0.5%	**406,453**	**7.9%**	38,842	0.9%
Long-term liabilities:						
Long-term liabilities			**300,000**			
Total long-term liabilities			**300,000**	**5.9%**		
Total liabilities	22,121	0.5%	**706,453**	**13.8%**	38,842	0.9%
Shareholders equity:						
Capital stock	1,258,052	29.3%	**1,258,052**	**24.5%**	1,258,052	29.1%
Capital surplus:						
Legal capital surplus	2,350,244		**2,350,244**		2,350,244	
Other capital surplus	599,960		**599,968**		599,962	
Total capital surplus	2,950,205	68.9%	**2,950,212**	**57.5%**	2,950,207	68.3%
Retained earnings:						
Unappropriated	55,519		**216,754**		75,876	
Total retained earnings	55,519	1.3%	**216,754**	**4.2%**	75,876	1.7%
Less treasury stock	(1,291)	(0.0)%	**(1,980)**	**(0.0)%**	(1,589)	(0.0)%
Total shareholders equity	4,262,486	99.5%	**4,423,039**	**86.2%**	4,282,547	99.1%
Total liabilities and shareholders equity	4,284,607	100.0%	**5,129,492**	**100.0%**	4,321,389	100.0%

See Notes to Non-Consolidated Financial Statements.

Mitsubishi Tokyo Financial Group, Inc.

Non-Consolidated Statements of Income

(in millions of yen)	For the six months ended September 30, 2003		**2004**		For the year ended March 31, 2004	
Operating income	42,493	100.0%	**187,924**	**100.0%**	69,321	100.0%
Operating expenses	2,064	4.9%	**3,754**	**2.0%**	4,585	6.6%
Operating profit	40,429	95.1%	**184,170**	**98.0%**	64,735	93.4%
Non-operating income	12	0.0%	**36**	**0.0%**	35	0.0%
Non-operating expenses	172	0.4%	**943**	**0.5%**	344	0.5%
Ordinary profit	40,269	94.7%	**183,263**	**97.5%**	64,426	92.9%
Income before income taxes	40,269	94.7%	**183,263**	**97.5%**	64,426	92.9%
Income taxes-current	(75)		**(54)**		(84)	
Income taxes-deferred	40		**116**		36	
Total income taxes	(35)	(0.1)%	**62**	**0.0%**	(47)	(0.1)%
Net income	40,304	94.8%	**183,200**	**97.5%**	64,474	93.0%
Unappropriated retained earnings brought forward	15,215		**33,553**		15,215	
Interim cash dividends					3,812	
Unappropriated retained earnings at end of (interim) fiscal year	55,519		**216,754**		75,876	

See Notes to Non-Consolidated Financial Statements.

Notes to the Non-Consolidated Financial Statements for the six months ended September 30, 2004

The accompanying Non-Consolidated Financial Statements are compiled as required by the Securities and Exchange Law of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as compared to the application and disclosure requirements of International Accounting Standards. For the convenience of readers, the presentation is modified in certain respects from the original Japanese report. The amounts are presented in millions of yen and are rounded down to the nearest million.

Summary of significant accounting policies

1. Investments

Investments in subsidiaries, affiliates and securities not stated at market value are stated at cost determined by the moving-average method.

2. Depreciation for fixed assets

Depreciation for premises and equipment is computed using the declining-balance method based on the following estimated useful lives. The range of estimated useful lives is principally as follows:

Leasehold improvements	10 years to 50 years
Equipment and furniture	4 years to 15 years

Amortization for intangible assets is computed by the straight-line method over estimated useful lives. Costs of computer software developed or obtained for internal use are deferred and amortized using the straight-line method over the estimated useful lives of 5 years.

3. Reserve

A reserve for employees bonuses is provided for the payment of employees bonuses based on estimated amounts of the future payments attributed to the current term.

4. Consumption taxes

National Consumption Tax and the Local Consumption Tax are excluded from transaction amounts.

5. Consolidated Corporate-tax System

MTFG has adopted consolidated corporate-tax system.

A note related to the Non-Consolidated Balance Sheet as of September 30, 2004 is as follows:

1.	Accumulated depreciation on premises and equipment	¥ 277 million
2.	MTFG indemnifies the Bankers Association of Deutschland for the deposit liability of the German branches of Bank of Tokyo Mitsubishi pursuant to regulation of the Deposit Insurance Corporation of Deutschland.	¥ 98,916 million

A note related to the Non-Consolidated Statement of Income for the six months ended September 30, 2004 is as follows:

1.	Principal item in Non-operating expenses is as follows:	
	Interest on borrowed money	¥ 771 million
2.	Depreciation expense	
	Depreciation expense for premises and equipment	¥ 62 million
	Amortization expense for intangible assets	¥ 76 million

A note related to securities is as follows:

Investments in subsidiaries and affiliates stated at market value

	Balance sheet amount	Market value	Difference
Investments in affiliates	¥ 137,870 million	¥ 141,394 million	¥ 3,524 million

Note: Fair value is based on market value as of September 30, 2004.

Fair value is not readily determinable for Investments in subsidiaries.

Additional information

1. Impairment of Fixed Assets

Effective April 1, 2003, the MTFG adopted Accounting Standards for Impairment of Fixed Assets issued by the Business Accounting Council on August 9, 2002 and Financial Accounting Standard Implementation Guidance No. 6, Implementation Guidance for Accounting Standard for Impairment of Fixed Assets issued by the Accounting Standards Board of Japan, ASBJ on October 31, 2003, because their early adoption in the fiscal year ended March 31, 2004 was permitted.

2. Enterprise Taxes

With the implementation of the Revision of the Local Tax Law (Legislation No.9, March, 2003) on March 31, 2003, a part of tax basis of enterprise taxes was changed to amount of value-added and amount of capital in the fiscal year started April 1, 2004. MTFG has presented enterprise taxes computed based on amount of value-added and amount of capital in operating expenses in the Statement of Operations based on Practical Treatment of Presentation in Income Statement for Enterprise Taxes through External Standards Taxation (February 13, 2004, ASBJ-Report of Practical Issues No.12).

Selected Interim Financial Information

under Japanese GAAP

For the Fiscal Year Ending March 31, 2005

Mitsubishi Tokyo Financial Group, Inc.

[Contents]

Note: * Total of the 2 Banks stands for the aggregated non-consolidated figures of The Bank of Tokyo-Mitsubishi, Ltd. and The Mitsubishi Trust and Banking Corporation.

1 Interim Consolidated Financial Highlights under Japanese GAAP for the Fiscal Year Ending March 31, 2005

1. Financial Results

(in millions of yen)

	Six months ended September 30, 2003 (A)	**Six months ended September 30, 2004 (B)**	Increase/ (Decrease) (B) (A)
Gross profits	898,929	**885,955**	(12,973)
Net interest income	533,116	**506,567**	(26,549)
Trust fees	36,452	**46,115**	9,662
Credit costs for trust accounts (1)	(8,432)	**(2,336)**	6,096
Net fees and commissions	195,801	**241,318**	45,517
Net trading profits	72,040	**50,246**	(21,793)
Net other business income	61,518	**41,707**	(19,810)
Net gains (losses) on debt securities	(2,701)	**27,836**	30,538
General and administrative expenses	489,543	**499,388**	9,845
Net business profits before credit costs for trust accounts and provision for formula allowance for loan losses	417,818	**388,903**	(28,915)
Provision for formula allowance for loan losses (2)			
Net business profits*	409,386	**386,566**	(22,819)
Net non-recurring losses	(135,953)	**(76,260)**	59,693
Credit related costs (3)	(91,889)	**(65,402)**	26,487
Losses on loan charge-offs	(49,840)	**(28,597)**	21,242
Provision for specific allowance for loan losses			
Losses on sales of loans to the Resolution and Collection Corporation	(13,878)	**(852)**	13,026
Provision for allowance for loans to specific foreign borrowers			
Other credit related costs	(28,171)	**(35,953)**	(7,781)
Net losses on equity securities	(9,070)	**(4,728)**	4,342
Gains on sales of equity securities	48,009	**42,943**	(5,065)
Losses on sales of equity securities	(53,429)	**(14,121)**	39,307
Losses on write down of equity securities	(3,649)	**(33,549)**	(29,899)
Equity in profit of affiliates	1,232	**7,573**	6,340
Other	(36,226)	**(13,702)**	22,523
Ordinary profit	273,432	**310,306**	36,874
Net special gains	234,901	**17,565**	(217,336)
Gain on loans charged-off (4)	15,348	**12,358**	(2,990)
Reversal of allowance for loan losses (5)	163,548	**11,340**	(152,208)
Losses on impairment of fixed assets		**(3,978)**	(3,978)
Income before income taxes and others	508,334	**327,872**	(180,461)
Income taxes-current	25,503	**39,605**	14,101
Income taxes-deferred	159,516	**95,687**	(63,829)
Minority interest	21,436	**20,901**	(534)

Net income	301,877	**171,678**	(130,199)

Note:

* Net business profits = The 2 Banks non-consolidated net business profits + Other consolidated entities gross profits Other consolidated entities general and administrative expenses Other consolidated entities provision for formula allowance for loan losses - Inter-company transactions

(Reference)

Total credit costs (1)+(2)+(3)+(5)	63,226	**(56,398)**	(119,625)
Total credit costs + Gain on loans charged-off (1)+(2)+(3)+(4)+(5)	78,575	**(44,040)**	(122,615)
Number of consolidated subsidiaries	176	**154**	(22)
Number of affiliated companies accounted for by the equity method	31	**25**	(6)

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2. Valuation Differences on Securities

(1) Valuation method of securities

Trading securities	Market value (valuation differences are recorded as profits or losses)
Debt securities being held to maturity	Amortized cost
Securities available for sale	Market value (valuation differences are included in shareholders equity, net of income taxes)

(Reference) Securities in money held in trust

Trading purposes	Market value (valuation differences are recorded as profits or losses)
Being held to maturity	Amortized cost
Other	Market value (valuation differences are included in shareholders equity, net of income taxes)

(2) Valuation differences

(in millions of yen)

	As of September 30, 2004					As of September 30, 2003			As of March 31, 2004		
	Valuation differences					Valuation differences			Valuation differences		
	(A)	**(A) (B)**	**(A) (C)**	**Gains**	**Losses**	(B)	Gains	Losses	(C)	Gains	Losses
Debt securities being held to maturity	**15,332**	**4,957**	**6,328**	**15,544**	**212**	10,375	10,378	3	9,004	10,228	1,224
Securities available for sale	**705,702**	**391,102**	**(241,812)**	**889,757**	**184,054**	314,599	677,703	363,104	947,514	1,114,592	167,078
Domestic equity securities	**634,632**	**380,607**	**(150,696)**	**744,276**	**109,644**	254,024	494,697	240,672	785,328	891,328	105,999
Domestic bonds	**24,116**	**58,687**	**20,721**	**45,435**	**21,318**	(34,570)	28,869	63,440	3,394	40,723	37,328
Other	**46,952**	**(48,192)**	**(111,837)**	**100,044**	**53,091**	95,145	154,136	58,991	158,790	182,541	23,750
Total	**721,034**	**396,059**	**(235,484)**	**905,301**	**184,267**	324,974	688,082	363,107	956,518	1,124,821	168,302
Domestic equity securities	**634,632**	**380,607**	**(150,696)**	**744,276**	**109,644**	254,024	494,697	240,672	785,328	891,328	105,999
Domestic bonds	**37,707**	**65,869**	**27,928**	**59,025**	**21,318**	(28,161)	35,281	63,443	9,778	48,325	38,546
Other	**48,694**	**(50,416)**	**(112,716)**	**101,999**	**53,304**	99,111	158,103	58,991	161,411	185,167	23,755

(3) Market Value Information for Securities in Trusts with Contracts for Compensating the Principal

Money Trusts (jointly operated designated money in trust)

A. Market Value of Securities

(in millions of yen)

September 30, 2004		
Trust Assets at interim-period end	Market Value	Valuation Gains
228,883	234,699	5,815

Note : A fair value is given where a fair value can be calculated for a market-value equivalent.

B. Valuation Gains of Derivative Transaction : 4,444 millions of yen

Loan Trusts

A. Market Value of Securities

(in millions of yen)

September 30, 2004		
Trust Assets at interim-period end	Market Value	Valuation Gains
8,764	9,384	620

Note : A fair value is given where a fair value can be calculated for a market-value equivalent.

B. Valuation Gains of Derivative Transaction : 10,155 millions of yen

3. Risk-Adjusted Capital Ratio Based on the Standards of the BIS

(in billions of yen except percentages)

		As of September 30, 2004 (A) (Preliminary basis)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
(1)	Risk-adjusted capital ratio	**10.92%**	(1.52)%	(2.02)%	12.44%	12.95%
(2)	Tier 1 capital	**4,025.9**	342.1	166.4	3,683.7	3,859.4
(3)	Tier 2 capital includable as qualifying capital	**2,818.0**	(309.1)	(339.8)	3,127.2	3,157.8
i)	The amount of unrealized gains on investment securities, includable as qualifying capital	**319.2**	176.7	(108.8)	142.4	428.0
ii)	The amount of land revaluation excess includable as qualifying capital	**128.3**	(12.4)	(5.2)	140.8	133.6
iii)	Subordinated debt	**2,004.4**	(157.7)	10.4	2,162.1	1,993.9
(4)	Tier 3 capital includable as qualifying capital		(29.9)	(30.0)	29.9	30.0
(5)	Deductions from total qualifying capital	**894.3**	843.2	839.7	51.0	54.5
(6)	Total qualifying capital (2)+(3)+(4)-(5)	**5,949.6**	(840.0)	(1,043.0)	6,789.7	6,992.7
(7)	Risk-adjusted assets	**54,457.1**	(86.2)	460.3	54,543.3	53,996.7

4. Return on Equity

(%)

	Six months ended September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Six months ended September 30, 2003 (B)
ROE *	**9.86**	(10.17)	20.04

Note: * ROE is computed as follows:

$$\frac{\text{(Net income} \quad \text{Dividends on preferred stocks)} \times 2}{\begin{array}{c}\text{\{(Shareholders equity at beginning of period - Number of preferred stocks at beginning of period} \times \text{Issue price - Land revaluation excess} \\ \text{at beginning of period - Unrealized gains on securities available for sale at beginning of period)} \\ \text{+ (Shareholders equity at end of period - Number of preferred stocks at end of period} \times \text{Issue price - Land revaluation excess at end of} \\ \text{period - Unrealized gains on securities available for sale at end of period)\} / 2}\end{array}} \times 100$$

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2 Loan Portfolio and Other

1. Risk-Monitored Loans
(Non-accrual loans, accruing loans contractually past due 3 months or more and restructured loans)

[Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Loans to customers in bankruptcy	**33,746**	(40,799)	(12,392)	74,545	46,138
Past due loans	**1,173,309**	239,839	479,831	933,469	693,477
Accruing loans contractually past due 3 months or more	**11,898**	(5,784)	(362)	17,682	12,260
Restructured loans	**325,637**	(561,703)	(376,010)	887,341	701,648
Total	**1,544,591**	(368,448)	91,066	1,913,039	1,453,524
Amount of direct reduction	482,508	(122,864)	(45,830)	605,373	528,339
Loans and bills discounted	**47,420,986**	1,000,284	830,854	46,420,701	46,590,131

Percentage of total loans and bills discounted

Loans to customers in bankruptcy	**0.07%**	(0.08)%	(0.02)%	0.16%	0.09%
Past due loans	**2.47%**	0.46%	0.98%	2.01%	1.48%
Accruing loans contractually past due 3 months or more	**0.02%**	(0.01)%	(0.00)%	0.03%	0.02%
Restructured loans	**0.68%**	(1.22)%	(0.81)%	1.91%	1.50%
Total	**3.25%**	(0.86)%	0.13%	4.12%	3.11%

[Trust accounts]

(in millions of yen)

As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)

Loans to customers in bankruptcy	**1,386**	(1,790)	(201)	3,177	1,588
Past due loans	**664**	(846)	(627)	1,511	1,292
Accruing loans contractually past due 3 months or more	**837**	236	466	601	370
Restructured loans	**24,944**	(4,800)	(7,623)	29,745	32,568
Total	**27,833**	(7,201)	(7,985)	35,035	35,819
Loans and bills discounted	**551,236**	(211,816)	(70,739)	763,053	621,976

[Consolidated and Trust accounts]

	(in millions of yen)				
	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Loans to customers in bankruptcy	**35,132**	(42,590)	(12,594)	77,723	47,727
Past due loans	**1,173,974**	238,993	479,204	934,980	694,769
Accruing loans contractually past due 3 months or more	**12,735**	(5,548)	104	18,284	12,631
Restructured loans	**350,582**	(566,504)	(383,633)	917,086	734,216
Total	**1,572,425**	(375,649)	83,080	1,948,074	1,489,344
Loans and bills discounted	**47,972,223**	788,467	760,114	47,183,755	47,212,108

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2. Classification of Risk-Monitored Loans

Classification by geographic area

[Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Domestic*	**1,256,864**	(374,480)	130,785	1,631,344	1,126,078
Overseas*	**287,727**	6,032	(39,719)	281,694	327,446
Asia	**34,020**	(2,619)	7,363	36,639	26,656
Indonesia	**3,526**	(6,900)	(1,052)	10,426	4,578
Thailand	**2,724**	(5,934)	(7,838)	8,659	10,562
Hong Kong	**22,148**	14,873	17,431	7,274	4,717
Other	**5,621**	(4,657)	(1,176)	10,279	6,798
United States of America	**192,908**	30,153	(37,611)	162,754	230,520
Other	**60,798**	(21,501)	(9,471)	82,299	70,269
Total	**1,544,591**	(368,448)	91,066	1,913,039	1,453,524

Note:* Domestic and Overseas are classified by domicile of borrowers.

[Trust accounts]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Domestic	**27,833**	(7,201)	(7,985)	35,035	35,819

Classification by type of industry of borrowers

[Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Domestic*	**1,256,864**	(374,480)	130,785	1,631,344	1,126,078
Manufacturing	**180,823**	(3,357)	(6,587)	184,181	187,410
Construction	**54,200**	(160,938)	(28,319)	215,138	82,520
Wholesale and Retail	**338,767**	(5,507)	109,572	344,275	229,195
Banks and other financial institutions	**66,247**	53,820	44,723	12,426	21,523
Real estate	**373,874**	(11,759)	60,901	385,634	312,973
Services	**123,772**	(58,781)	(23,720)	182,554	147,493
Other industries	**35,528**	(43,718)	(19,264)	79,247	54,793
Consumer	**83,648**	(144,236)	(6,520)	227,885	90,168
Overseas*	**287,727**	6,032	(39,719)	281,694	327,446
Banks and other financial institutions	**98,375**	96,287	14,646	2,087	83,728
Commercial and industrial	**166,869**	(106,516)	(43,707)	273,385	210,576
Other	**22,482**	16,261	(10,658)	6,221	33,141
Total	**1,544,591**	(368,448)	91,066	1,913,039	1,453,524

Note:* Domestic and Overseas are classified by domicile of borrowers.

[Trust accounts]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Domestic	**27,833**	(7,201)	(7,985)	35,035	35,819
Manufacturing	**435**	(1,310)	(4,030)	1,746	4,465
Construction	**60**	(1,175)	(3)	1,235	63
Wholesale and Retail	**1,710**	(323)	(487)	2,033	2,197
Banks and other financial institutions					
Real estate	**4,730**	(1,017)	(1,163)	5,748	5,894
Services	**694**	(600)	(363)	1,294	1,057
Other industries	**16,868**	(1,208)	(104)	18,076	16,972
Consumer	**3,334**	(1,564)	(1,834)	4,899	5,168
Total	**27,833**	(7,201)	(7,985)	35,035	35,819

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3. Allowance for Loan Losses

[Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Allowance for loan losses	**801,804**	(241,494)	(30,834)	1,043,299	832,638
Formula allowance for loan losses	**366,078**	(317,877)	(236,185)	683,955	602,263
Specific allowance for loan losses	**430,307**	80,165	206,204	350,141	224,102
Allowance for loans to specific foreign borrowers	**5,419**	(3,783)	(853)	9,202	6,272

[Trust accounts]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Special internal reserves	**5,483**	(1,799)	(651)	7,283	6,135
Allowance for bad debts	**613**	(313)	(186)	926	799

4. Coverage Ratio against Risk-Monitored Loans

[Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Allowance for loan losses (I)	**801,804**	(241,494)	(30,834)	1,043,299	832,638

Risk-monitored loans (II)	**1,544,591**	(368,448)	91,066	1,913,039	1,453,524
Coverage ratio (I)/(II)	**51.91%**	(2.62)%	(5.37)%	54.53%	57.28%

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5. Disclosed Claims under the Financial Reconstruction Law (the FRL)

[Banking and Trust accounts: Total of the 2 Banks]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Claims to bankrupt and substantially bankrupt debtors	**107,873**	(74,447)	(32,554)	182,320	140,428
Claims under high risk	**1,168,029**	422,282	626,719	745,746	541,309
Claims under close observation	**356,623**	(572,604)	(380,727)	929,227	737,350
Total (1)	**1,632,526**	(224,768)	213,438	1,857,295	1,419,088
Normal claims	**48,097,849**	1,673,126	1,210,414	46,424,722	46,887,434

6. Status of Secured Coverage on Disclosed Claims under the FRL

[Banking and Trust accounts: Total of the 2 Banks]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Secured coverage amount (2)	**1,173,369**	(220,448)	179,696	1,393,817	993,672
Allowance for loan losses	**431,934**	(29,973)	111,574	461,908	320,359
Reserve for financial assistance to specific borrowers					
Collateral, guarantees, etc.	**741,434**	(190,474)	68,122	931,909	673,312
Secured coverage ratio (2)/(1)	**71.87%**	(3.17)%	1.85%	75.04%	70.02%

Secured Coverage of Each Category of Disclosed Claims under the FRL

[Banking and Trust accounts: Total of the 2 Banks]

(in millions of yen)

Category	Disclosed amount (A)	Allowance for loan losses (B)	Reserve for financial support to specific borrowers (C)	Collectable amount by collateralized and guaranteed loans (D)	Coverage ratio [(B)+(C)] / [(A)-(D)]	Coverage ratio [(B)+(C)+(D)] /(A)
Claims to bankrupt and substantially bankrupt debtors	107,873 [140,428]	11,926 [15,770]		95,947 [124,654]	100.00% [99.97]%	100.00% [99.99]%
Claims under high risk	1,168,029 [541,309]	376,083 [165,737]		441,134 [286,271]	51.73% [64.98]%	69.96% [83.50]%
Claims under close observation	356,623 [737,350]	43,924 [138,852]		204,352 [262,386]	28.84% [29.23]%	69.61% [54.41]%
Sub total (1)	1,632,526 [1,419,088]	431,934 [320,359]		741,434 [673,312]	48.47% [42.95]%	71.87% [70.02]%
Normal claims	48,097,849 [46,887,434]					
Total (2)	49,730,375 [48,306,522]					
Sub total (1) / Total (2)	3.28% [2.93]%					

Note: The upper figures are as of September 30, 2004. The lower figures with bracket are as of March 31, 2004.

7. Progress in the Disposal of Problem Assets [Banking and Trust accounts: Total of the 2 Banks] (excluding claims under close observation)

(1) Assets categorized as problem assets as of September 30, 2000 based on the FRL

(in billions of yen)

	As of September 30, 2000	As of March 31, 2001	As of September 30, 2001	As of March 31, 2002	As of September 30, 2002	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	513.6	280.6	274.1	213.9	253.7	68.7	34.9	23.0	11.4	(11.5)
Claims under high risk	1,580.2	1,400.4	1,141.3	840.1	378.5	37.4	33.2	8.7	7.7	(1.0)
Total	2,093.8	1,681.0	1,415.4	1,054.1	632.2	106.2	68.2	31.8	**19.1(A)**	**(12.6)(B)**

Progress in the disposal of problem assets

(in billions of yen)

	First half of fiscal 2004
Disposition by borrowers liquidation	0.0
Re-constructive disposition	0.1
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	0.1
Charge-off	8.3
Other	3.9
Collection of claims	3.9
Improvements in financial status	
Total	**12.6(B)**

Above (A) includes the following figures which facilitates the final disposal of problem assets.

(in billions of yen)

	First half of fiscal 2004
Legal liquidation	4.5
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	3.6
Entrust through the managed trust method to the Resolution and Collection Corporation	0.6
Total	8.8

(2) Assets newly categorized as problem assets during second half of fiscal 2000 based on the FRL

(in billions of yen)

	As of March 31, 2001	As of September 30, 2001	As of March 31, 2002	As of September 30, 2002	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004(b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	117.9	103.8	99.2	46.9	28.6	27.1	17.6	15.4	(2.1)
Claims under high risk	769.0	693.0	538.9	346.0	79.4	55.7	30.9	25.6	(5.2)
Total	887.0	796.8	638.1	393.0	108.0	82.8	48.5	**41.1(C)**	**(7.3)(D)**

Progress in the disposal of problem assets

(in billions of yen)

	First half of fiscal 2004
Disposition by borrowers liquidation	
Re-constructive disposition	0.0
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	0.9
Charge-off	0.7
Other	5.6
Collection of claims	2.6
Improvements in financial status	2.9
Total	**7.3(D)**

Above (C) includes the following figures which facilitates the final disposal of problem assets.

	(in billions of yen)
	First half of fiscal 2004
Legal liquidation	1.4
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	13.8
Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	15.3

(3) Assets newly categorized as problem assets during first half of fiscal 2001 based on the FRL

(in billions of yen)

	As of September 30, 2001	As of March 31, 2002	As of September 30, 2002	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) - (a)
Claims to bankrupt and substantially bankrupt debtors	30.2	42.1	27.9	19.3	12.3	7.3	6.1	(1.1)
Claims under high risk	337.1	170.3	101.6	53.7	31.7	19.4	14.9	(4.4)
Total	367.3	212.5	129.6	73.0	44.0	26.8	**21.1(E)**	**(5.6)(F)**

Progress in the disposal of problem assets

(in billions of yen)

	First half of fiscal 2004
Disposition by borrowers liquidation	(0.0)
Re-constructive disposition	0.0
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	1.2
Charge-off	0.4
Other	3.9
Collection of claims	2.5
Improvements in financial status	1.4
Total	**5.6(F)**

Above (E) includes the following figures which facilitates the final disposal of problem assets.

(in billions of yen)

	First half of fiscal 2004
Legal liquidation	0.6
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	5.6

Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	6.2

(4) Assets newly categorized as problem assets during second half of fiscal 2001 based on the FRL

(in billions of yen)

	As of March 31, 2002	As of September 30, 2002	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	63.6	44.4	22.3	17.1	6.8	6.0	(0.7)
Claims under high risk	384.0	190.9	113.7	55.2	32.0	26.3	(5.6)
Total	447.7	235.3	136.0	72.3	38.9	**32.4(G)**	**(6.4)(H)**

Progress in the disposal of problem assets

(in billions of yen)

	First half of fiscal 2004
Disposition by borrowers liquidation	0.2
Re-constructive disposition	0.0
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	0.0
Charge-off	0.4
Other	5.6
Collection of claims	2.2
Improvements in financial status	3.3
Total	**6.4 (H)**

Above (G) includes the following figures which facilitates the final disposal of problem assets.

(in billions of yen)

	First half of fiscal 2004
Legal liquidation	0.9
Quasi-legal liquidation	0.2
Split-off of problem loans	

Partial charge-off of smaller balance loans	5.1
Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	6.2

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(5) Assets newly categorized as problem assets during first half of fiscal 2002 based on the FRL

(in billions of yen)

	As of September 30, 2002	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	28.9	35.2	30.1	20.4	15.0	(5.3)
Claims under high risk	369.4	179.5	98.5	58.5	44.9	(13.6)
Total	398.4	214.7	128.7	78.9	**60.0(I)**	**(18.9)(J)**

Progress in the disposal of problem assets

(in billions of yen)

	First half of fiscal 2004
Disposition by borrowers liquidation	0.0
Re-constructive disposition	1.1
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	3.8
Charge-off	0.8
Other	13.1
Collection of claims	5.9
Improvements in financial status	7.1
Total	**18.9(J)**

Above (I) includes the following figures which facilitates the final disposal of problem assets.

(in billions of yen)

	First half of fiscal 2004
Legal liquidation	9.3
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	4.1

Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	13.4

(6) Assets newly categorized as problem assets during second half of fiscal 2002 based on the FRL

	(in billions of yen)				
	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	52.1	46.0	41.2	35.5	(5.6)
Claims under high risk	567.4	320.5	177.4	71.1	(106.2)
Total	619.6	366.5	218.6	**106.7(K)**	**(111.8)(L)**

Progress in the disposal of problem assets

	(in billions of yen)
	First half of fiscal 2004
Disposition by borrowers liquidation	0.4
Re-constructive disposition	(0.0)
Improvements in financial status due to re-constructive disposition	23.7
Loan sales to secondary market	2.0
Charge-off	2.2
Other	83.5
Collection of claims	27.0
Improvements in financial status	56.5
Total	**111.8(L)**

Above (K) includes the following figures which facilitates the final disposal of problem assets.

	(in billions of yen)
	First half of fiscal 2004
Legal liquidation	6.1
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	8.3

Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	14.4

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(7) Assets newly categorized as problem assets during first half of fiscal 2003 based on the FRL

(in billions of yen)

	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	14.4	9.1	6.0	(3.1)
Claims under high risk	150.7	94.1	60.8	(33.3)
Total	165.1	103.3	**66.9(M)**	**(36.4)(N)**

Progress in the disposal of problem assets

(in billions of yen)

	First half of fiscal 2004
Disposition by borrowers liquidation	0.1
Re-constructive disposition	0.5
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	2.2
Charge-off	2.8
Other	30.5
Collection of claims	15.0
Improvements in financial status	15.5
Total	**36.4(N)**

Above (M) includes the following figures which facilitates the final disposal of problem assets.

(in billions of yen)

	First half of fiscal 2004
Legal liquidation	1.5
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	4.3
Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	5.9

(8) Assets newly categorized as problem assets during second half of fiscal 2003 based on the FRL

	(in billions of yen)		
	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	14.7	6.9	(7.7)
Claims under high risk	120.0	59.5	(60.5)
Total	134.7	**66.4(O)**	**(68.3)(P)**

Progress in the disposal of problem assets

	(in billions of yen)
	First half of fiscal 2004
Disposition by borrowers liquidation	1.2
Re-constructive disposition	5.4
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	19.3
Charge-off	2.7
Other	39.5
Collection of claims	32.7
Improvements in financial status	6.7
Total	**68.3(P)**

Above (O) includes the following figures which facilitates the final disposal of problem assets.

	(in billions of yen)
	First half of fiscal 2004
Legal liquidation	2.7
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	3.0
Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	5.7

(9) Assets newly categorized as problem assets during first half of fiscal 2004 based on the FRL

	(in billions of yen) As of September 30, 2004
Claims to bankrupt and substantially bankrupt debtors	5.0
Claims under high risk	856.7
Total	861.8(Q)

Above (Q) includes the following figures which facilitates the final disposal of problem assets.

	(in billions of yen) First half of fiscal 2004
Legal liquidation	2.3
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	2.6
Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	4.9

(10) Historical trend of problem assets based on the FRL

(in billions of yen)

	As of September 30, 2000	As of March 31, 2001	As of September 30, 2001	As of March 31, 2002	As of September 30, 2002	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	513.6	398.6	408.1	419.0	402.1	226.4	182.3	140.4	107.8	(32.5)
Claims under high risk	1,580.2	2,169.5	2,171.4	1,933.5	1,386.6	1,031.3	745.7	541.3	1,168.0	626.7

Total	2,093.8	2,568.1	2,579.6	2,352.6	1,788.7	1,257.8	928.0	681.7	1,275.9	594.1

8. Classification of Loans by Type of Industry

(1) Loans by type of industry [Total of the 2 Banks]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Domestic offices (excluding loans booked at offshore markets)	**40,121,843**	2,205,807	1,159,980	37,916,036	38,961,862
Manufacturing	**5,187,273**	(175,136)	(116,939)	5,362,409	5,304,212
Agriculture	**11,663**	(2,450)	(697)	14,113	12,360
Forestry	**4,784**	(447)	(103)	5,231	4,887
Fishery	**28,825**	755	314	28,070	28,511
Mining	**33,227**	(7,424)	(1,558)	40,651	34,785
Construction	**933,027**	(195,473)	(35,428)	1,128,500	968,455
Utilities	**371,904**	(18,061)	(11,300)	389,965	383,204
Media and Communication	**1,353,290**	(137,493)	(104,621)	1,490,783	1,457,911
Wholesale and Retail	**4,437,568**	(405,330)	(143,174)	4,842,898	4,580,742
Banks and other financial institutions	**5,094,164**	1,002,299	880,243	4,091,865	4,213,921
Real estate	**4,605,982**	138,830	88,473	4,467,152	4,517,509
Services	**4,517,182**	(578,003)	(80,469)	5,095,185	4,597,651
Municipal government	**483,159**	(123,190)	(127,597)	606,349	610,756
Other industries	**13,059,787**	2,706,929	812,840	10,352,857	12,246,946
Overseas offices and loans booked at offshore markets	**4,526,958**	(295,068)	98,991	4,822,026	4,427,966
Total	**44,648,801**	1,910,738	1,258,972	42,738,063	43,389,829

(2) Domestic consumer loans [Total of the 2 Banks]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Total domestic consumer loans	**8,330,435**	323,503	213,100	8,006,932	8,117,335
Housing loans	**7,894,458**	380,030	238,979	7,514,428	7,655,479
Others	**435,977**	(56,526)	(25,878)	492,503	461,855

(3) Domestic loans to small and medium-sized companies [Total of the 2 Banks]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Domestic loans to small and medium-sized companies	**20,472,628**	277,947	372,254	20,194,680	20,100,373
Percentage to total domestic loans	**51.02%**	(2.23)%	(0.56)%	53.26%	51.58%

(4) Loans by type of industry [Trust accounts]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Domestic offices (excluding loans booked at offshore markets)	**651,019**	(244,575)	(84,853)	895,594	735,872
Manufacturing	**34,053**	(15,372)	(6,132)	49,425	40,185
Agriculture					
Forestry	**19**	(7)	(3)	26	22
Fishery	**1,064**	(161)	(64)	1,225	1,128
Mining	**34**	(43)	(27)	77	61
Construction	**2,010**	(3,463)	(234)	5,473	2,244
Utilities	**79,905**	(37,566)	(13,560)	117,471	93,465
Media and Communication	**61,603**	(45,466)	(14,384)	107,069	75,987
Wholesale and Retail	**6,825**	(3,847)	(1,533)	10,672	8,358
Banks and other financial institutions	**42,296**	(57,931)	(19,930)	100,227	62,226
Real estate	**60,850**	(10,425)	(4,220)	71,275	65,070
Services	**24,635**	(22,020)	(1,707)	46,655	26,342
Municipal government	**34,777**	(2,046)	(973)	36,823	35,750
Other industries	**302,941**	(46,227)	(22,085)	349,168	325,026
Overseas offices and loans booked at offshore markets					
Total	**651,019**	(244,575)	(84,853)	895,594	735,872

(5) Domestic consumer loans [Trust accounts]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Total domestic consumer loans	**212,215**	(34,778)	(15,874)	246,994	228,089
Housing loans	**210,004**	(34,045)	(15,553)	244,050	225,558
Others	**2,210**	(733)	(320)	2,943	2,530

(6) Domestic loans to small and medium-sized companies [Trust accounts]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Domestic loans to small and medium-sized companies	**423,058**	(118,301)	(49,389)	541,359	472,447
Percentage to total domestic loans	**64.98%**	4.53%	0.78%	60.44%	64.20%

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9. Foreign Loans

(1) Loans to specific foreign borrowers [Total of the 2 Banks]

(in millions of yen except number of countries)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Loan to specific foreign borrowers	**36,540**	(10,924)	(1,101)	47,464	37,641
Number of countries	**7**	(3)	(4)	10	11

(2) Loans to Asian countries [Total of the 2 Banks]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Thailand	**218,968**	22,317	27,881	196,650	191,087
Indonesia	**128,783**	16,847	14,339	111,935	114,444
Malaysia	**86,644**	(26,353)	(1,198)	112,998	87,843
Philippines	**56,194**	(5,309)	(2,359)	61,504	58,554
South Korea	**135,987**	(37,248)	(24,525)	173,235	160,512
Singapore	**247,730**	25,377	(7,311)	222,352	255,041
Hong Kong	**364,556**	(14,768)	2,132	379,324	362,423
China	**279,310**	80,173	60,163	199,137	219,147
Taiwan	**53,662**	10,004	3,697	43,658	49,964
Others	**46,611**	6,340	4,923	40,270	41,687
Total	**1,618,449**	77,381	77,742	1,541,068	1,540,707

(3) Loans to Latin American countries [Total of the 2 Banks]

(in millions of yen)

As of September 30, 2004 (A)	Increase/ (Decrease)	Increase/ (Decrease)	As of September 30, 2003 (B)	As of March 31, 2004 (C)

		(A) (B)	(A) (C)		
Argentina	**8,716**	(16,700)	(11,308)	25,416	20,024
Brazil	**37,500**	(31,686)	(8,817)	69,186	46,317
Mexico	**73,208**	(13,973)	7,508	87,182	65,700
Caribbean countries	**399,750**	35,061	44,713	364,688	355,036
Others	**75,073**	(27,559)	(9,738)	102,633	84,812
Total	**594,249**	(54,858)	22,356	649,108	571,893

10. Loans and Deposits [Total of the 2 Banks]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Deposits (ending balance)	**62,817,395**	1,908,003	153,248	60,909,391	62,664,147
Deposits (average balance)	**62,076,676**	2,204,808	1,823,169	59,871,867	60,253,507
Loans (ending balance)	**44,648,801**	1,910,738	1,258,972	42,738,063	43,389,829
Loans (average balance)	**43,535,747**	953,475	523,112	42,582,272	43,012,635

11. Domestic Deposits [Total of the 2 Banks]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Individuals	**33,801,755**	835,154	399,390	32,966,600	33,402,365
Corporations and others	**20,396,497**	(514,359)	(178,651)	20,910,857	20,575,149
Domestic deposits	**54,198,253**	320,795	220,738	53,877,458	53,977,514

Note: Amounts do not include negotiable certificates of deposit, deposits of overseas offices and JOM accounts.

12. Number of Employees [Total of the 2 Banks]

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) - (B)	Increase/ (Decrease) (A) - (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Number of employees	**20,201**	(953)	(122)	21,154	20,323

13. Number of Offices [Total of the 2 Banks]

	As of September 30, 2004 (A)	Increase/ (Decrease)	Increase/ (Decrease)	As of September 30, 2003 (B)	As of March 31, 2004 (C)

		(A) (B)	(A) (C)		
Domestic:	**313**	(10)	(2)	323	315
Head office and Branches	**291**	(11)	(5)	302	296
Sub-branches & Agencies	**22**	1	3	21	19
Overseas:	**81**			81	81
Branches	**47**		(1)	47	48
Sub-branches	**15**	1	1	14	14
Representative offices	**19**	(1)		20	19
Total	**394**	(10)	(2)	404	396

14. Status of Deferred Tax Assets

(1) Tax Effects of the Items Comprising Net Deferred Tax Assets

(Total of the two banks)

(in billions of yen)

		Sep. 30, 2004	vs. Mar. 31, 2004
1	**Deferred Tax Assets**	**1,020.5**	**(96.6)**
2	Allowance for loan losses	356.4	2.5
3	Write down of investment securities	104.1	4.5
4	Net operating loss carryforwards	561.4	(101.3)
5	Reserve for employees retirement benefits	39.4	3.5
6	Unrealized losses on securities available for sale		
7	Other	53.4	(1.9)
8	Valuation allowance	(94.4)	(4.0)
9	Deferred tax liabilities	308.8	(95.4)
10	Gains on placing trust for retirement benefits	7.3	
11	Unrealized gains on securities available for sale	295.6	(91.7)
12	Other	5.8	(3.6)
13	**Net Deferred Tax Assets**	**711.7**	**(1.2)**
	(Consolidated)		
14	**Net Deferred Tax Assets**	**653.9**	**(1.5)**

(2) Balance of Net Deferred Tax Assets and % of Tier I Capital

(3) Net Business Profits before Credit Costs and Taxable Income (Current Fiscal Years)

(Total of the two banks)

(in billions of yen)

		Interim FY 2004
15	Net business profits before credit costs	320.6
16	Credit related costs	50.1
17	Income before income taxes	240.6

18	Reconciliation to taxable income	3.1
19	Taxable income	**243.8**

(4) Net Business Profits before Credit Costs and Taxable Income (Past Five Fiscal Years)

(Total of the two banks)

		(in billions of yen)				
		FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
20	Net business profits before credit costs	578.6	552.0	619.5	689.9	654.8
21	Credit related costs	652.4	730.5	666.3	485.9	(105.7)
22	Income before income taxes	409.4	(199.0)	(359.3)	(485.2)	719.0
23	Reconciliation to taxable income	(76.3)	304.4	142.0	(1,021.4)	(443.9)
24	Taxable income	333.1	105.3	(217.2)	(1,506.7)	275.0

(5) Comparison with Past Fiscal Years

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(6) Classification Based on Prior Year Operating Results as Provided in the JICPA Audit Committee Report No. 66

Although we recorded taxable income for the six months ended September 30, 2004, we are classified as 4 described above since we have material net operating loss carryforwards. However, since we believe the net operating loss carryforwards are attributable to extraordinary factors such as changes in laws and regulations, we apply the exception to classification 4. (Five years future taxable income is estimable.)

(7) Extraordinary Factors Such as Changes in Laws and Regulations

Our net operating loss carryforwards were incurred due to, among other things, the followings: (i) we accelerated the final disposal of nonperforming loans in response to both the Emerging Economic Package , which provided guidance to major banks to remove from their balance sheets claims to debtors classified as likely to become bankrupt or below, and the Program for Financial Revival , which urged major banks to reduce the ratio of disclosed claims to total claims by about half; and (ii) we reduced our holdings of strategic equity investments under the Law Concerning Restriction, etc. of Banks Shareholdings etc .

(8) Realizability of Deferred Tax Assets at September 30, 2004 (Assumptions)

(in billions of yen)

		Five year total (2004 2nd half to 2009 1st half)
1	Net business profits (based on our business plan) (*1)	4,940.0
2	Net business profits (basis of realizability determination) (*2)	3,990.0
3	Income before income taxes (basis of realizability determination)	3,250.0
4	Taxable income before adjustments (basis of realizability determination) (*3)	3,680.0
5	Temporary difference + net operating loss carryforwards (for which deferred tax assets shall be recognized)	2,508.0
6	Deferred tax assets at September 30, 2004 (*4)	1,023.0

(*1) Total of the two banks, before credit costs
(*2) Based on the scenario that current short-term interest rate level continues for the next five years
(*3) Before reversals of existing deductible temporary differences and net operating loss carryforwards
(*4) Line 5 multiplied by effective tax rate (consolidated corporate-tax basis)

(Reference) Assumptions for Business Plan

FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009

	2nd half					1st half
S/T interest rate (3 m/s TIBOR)	0.08%	0.13%	0.50%	0.57%	0.88%	1.12%
L/T interest rate (10 year JGB)	1.78%	1.90%	2.30%	2.03%	2.58%	2.95%
Exchange rate (USD/Yen)	¥ 105	¥ 105	¥ 105	¥ 105	¥ 105	¥ 105

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15. Employees Retirement Benefits

(1) Benefit obligation

[Consolidated]

		(in millions of yen) As of September 30, 2004
Projected benefits obligation at beginning of the period	(A-B+C-D+E+H+K)	999,538
Discount rate:		
Domestic subsidiaries 1.1% to 2.2%, Overseas subsidiaries 5.4% to 6.25%		
Fair value of plan assets at beginning of the period	(A)	960,295
Prepaid pension cost at beginning of the period	(B)	189,588
Reserve for employees retirement benefits at beginning of the period	(C)	35,095
Unrecognized plan assets at beginning of the period	(D)	57,822
Unrecognized net obligation by the change of accounting policy at beginning of the period	(E)	16,330
Amortization for the current period (Amortized period mainly 5 years)	(F)	8,164
Unrecognized net obligation at end of the interim period	(G)	8,166
Unrecognized prior service cost at beginning of the period	(H)	(37,750)
Amortization for the current period (Amortized period mainly 10 years)	(I)	(2,097)
Unrecognized prior service cost at end of the interim period	(J)	(35,653)
Unrecognized net actuarial loss at beginning of the period	(K)	272,977
Amortization for the current period (Amortized period mainly 10 years)	(L)	15,470
Unrecognized net actuarial loss at end of the interim period	(M)	257,506
Net amount unrecognized at beginning of the period	(N)(E+H+K)	251,557
Net amount amortized during the interim period	(O)(F+I+L)	21,537
Net amount unrecognized at end of the interim period	(P)(N-O)	230,020

Note Discount rate : The Bank of Tokyo-Mitsubishi, Ltd. 2.1%, The Mitsubishi Trust and Banking Corporation 2.2%.

(2) Net periodic pension cost

[Consolidated]

(in millions of yen)

For the six months ended September 30, 2004

Net periodic cost of the employees retirement benefits	32,242
Service cost	13,836
Interest cost	12,939
Expected return on plan assets	(20,883)
Amortization of net obligation by the change of accounting policy	8,164
Amortization of prior service cost	(2,097)
Amortization of net actuarial loss	15,470
Other	4,811

16. Earning Projections for the Fiscal Year Ending March 31, 2005

[Consolidated]

(in billions of yen)

	For the year ending March 31, 2005	For the six months ended September 30, 2004
Ordinary income	**2,450.0**	1,258.1
Ordinary profit	**640.0**	310.3
Net income	**340.0**	171.6

[Non-Consolidated]

(in billions of yen)

	For the year ending March 31, 2005	For the six months ended September 30, 2004
Operating income	**227.0**	187.9
Ordinary profit	**206.0**	183.2
Net income	**206.0**	183.2

Selected Interim Financial Information

under Japanese GAAP

For the Fiscal Year Ending March 31, 2005

The Bank of Tokyo-Mitsubishi, Ltd.

Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

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Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

1 Interim Financial Highlights under Japanese GAAP for the Fiscal Year Ending March 31, 2005

(Japanese GAAP)

1. Consolidated Balance Sheets

	As of September 30,		Increase/ (Decrease)	As of March 31,	Increase/ (Decrease)
(in millions of yen)	**2004 (A)**	2003 (B)	(A) (B)	2004 (C)	(A) - (C)
Assets:					
Cash and due from banks	**7,144,855**	9,157,554	(2,012,698)	5,840,013	1,304,842
Call loans and bills bought	**405,014**	947,232	(542,218)	953,941	(548,926)
Receivables under resale agreements	**974,535**	580,316	394,219	1,409,963	(435,427)
Receivables under securities borrowing transactions	**3,902,533**	4,633,877	(731,344)	4,603,993	(701,460)
Commercial paper and other debt purchased	**1,570,449**	1,144,590	425,858	1,297,241	273,208
Trading assets	**7,309,032**	6,093,002	1,216,029	6,296,997	1,012,034
Money held in trust	**445,055**	460,078	(15,022)	462,424	(17,368)
Investment securities	**26,056,540**	16,256,667	9,799,872	20,960,352	5,096,188
Allowance for losses on investment securities	**(1,242)**	(2,856)	1,614	(1,923)	680
Loans and bills discounted	**39,469,702**	37,933,075	1,536,626	38,017,560	1,452,142
Foreign exchanges	**645,833**	577,097	68,736	553,711	92,121
Other assets	**2,416,794**	3,331,415	(914,620)	2,450,786	(33,991)
Premises and equipment	**698,431**	764,385	(65,953)	721,219	(22,787)
Deferred tax assets	**502,273**	780,828	(278,554)	517,036	(14,762)
Customers liabilities for acceptances and guarantees	**4,374,092**	4,501,685	(127,593)	4,233,353	140,738
Allowance for loan losses	**(609,129)**	(774,485)	165,356	(630,054)	20,924
Total assets	**95,304,773**	86,384,465	8,920,308	87,686,618	7,618,155
Liabilities:					
Deposits	**56,961,748**	54,991,383	1,970,364	55,910,135	1,051,612
Negotiable certificates of deposit	**2,582,587**	2,681,475	(98,888)	1,528,477	1,054,109
Debentures	**30,752**	517,498	(486,746)	265,957	(235,204)
Call money and bills sold	**8,442,561**	3,979,533	4,463,028	5,993,188	2,449,373
Payables under repurchase agreements	**4,528,883**	3,225,214	1,303,668	2,812,279	1,716,603
Payables under securities lending transactions	**3,001,833**	2,480,041	521,792	1,571,280	1,430,553
Commercial paper	**308,479**	295,989	12,490	241,006	67,472
Trading liabilities	**2,871,997**	1,550,401	1,321,596	2,751,586	120,411
Borrowed money	**1,105,351**	1,255,183	(149,832)	1,153,916	(48,564)
Foreign exchanges	**1,130,384**	903,761	226,622	1,068,413	61,970
Short-term corporate bonds	**297,600**	213,500	84,100	300,200	(2,600)
Bonds and notes	**3,417,282**	3,441,293	(24,011)	3,350,710	66,571
Bonds with warrants	**49,165**	50,528	(1,363)	50,000	(835)
Other liabilities	**2,427,182**	2,843,206	(416,023)	2,612,359	(185,177)
Reserve for employees bonuses	**15,848**	13,340	2,507	13,050	2,797
Reserve for employees retirement benefits	**35,075**	29,084	5,990	32,140	2,935

Reserve for expenses related to EXPO 2005 Japan	**131**	64	66	97	33
Reserves under special laws	**1,305**	1,049	256	1,160	144
Deferred tax liabilities	**65,440**	65,586	(146)	56,137	9,302
Deferred tax liabilities on land revaluation excess	**125,597**	126,697	(1,099)	130,408	(4,810)
Acceptances and guarantees	**4,374,092**	4,501,685	(127,593)	4,233,353	140,738
Total liabilities	**91,773,299**	83,166,517	8,606,782	84,075,860	7,697,438
Minority interest	**370,234**	348,976	21,258	357,087	13,146
Shareholder s equity:					
Capital stock	**871,973**	871,973		871,973	
Capital surplus	**681,928**	681,928		681,928	
Retained earnings	**1,241,837**	1,075,158	166,678	1,256,278	(14,440)
Land revaluation excess	**160,611**	186,667	(26,055)	167,631	(7,019)
Unrealized gains on securities available for sale	**310,963**	109,159	201,804	383,572	(72,609)
Foreign currency translation adjustments	**(106,074)**	(55,914)	(50,159)	(107,713)	1,639
Total shareholder s equity	**3,161,239**	2,868,971	292,268	3,253,670	(92,430)
Total liabilities, minority interest and shareholder s equity	**95,304,773**	86,384,465	8,920,308	87,686,618	7,618,155

Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

(Japanese GAAP)

2. Consolidated Statements of Operations

	For the six months ended September 30,		Increase/ (Decrease)	For the year ended
(in millions of yen)	**2004 (A)**	2003 (B)	(A) (B)	March 31, 2004
Ordinary income:				
Interest income:	**562,543**	603,955	(41,412)	1,128,672
Interest on loans and discounts	**363,263**	402,930	(39,666)	768,626
Interest and dividends on securities	**103,260**	92,911	10,348	182,125
Trust fees	**8,571**	8,622	(50)	15,974
Fees and commissions	**238,910**	207,171	31,739	427,748
Trading profits	**46,871**	75,464	(28,593)	133,520
Other business income	**85,036**	124,903	(39,866)	193,403
Other ordinary income	**77,454**	63,680	13,773	145,941
Total ordinary income	**1,019,388**	1,083,798	(64,409)	2,045,260
Ordinary expenses:				
Interest expense:	**152,366**	180,704	(28,338)	312,949
Interest on deposits	**73,005**	70,975	2,029	134,327
Interest on debentures	**348**	2,312	(1,964)	4,035
Fees and commissions	**25,743**	31,144	(5,401)	52,843
Trading losses	**1,403**	5,389	(3,986)	
Other business expenses	**39,788**	81,745	(41,957)	112,499
General and administrative expenses	**437,119**	426,162	10,956	857,740
Other ordinary expenses	**114,681**	152,464	(37,782)	262,701
Total ordinary expenses	**771,102**	877,612	(106,509)	1,598,735
Ordinary profit	**248,286**	206,186	42,099	446,524
Special gains	**18,219**	239,472	(221,252)	326,824
Special losses	**7,841**	10,304	(2,463)	29,874
Income before income taxes and others	**258,664**	435,354	(176,689)	743,474
Income taxes-current	**26,234**	44,584	(18,350)	77,438
Income taxes-deferred	**73,535**	130,817	(57,282)	190,905
Minority interest	**22,373**	23,332	(958)	45,846
Net income	**136,521**	236,619	(100,097)	429,283

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(Japanese GAAP)

3. Consolidated Statements of Capital Surplus and Retained Earnings

(in millions of yen)	For the six months ended September 30, 2004(A)	For the six months ended September 30, 2003(B)	Increase/ (Decrease) (A) (B)	For the year ended March 31, 2004
Balance of capital surplus at beginning of fiscal year	**681,928**	681,928		681,928
Balance of capital surplus at end of (interim) fiscal year	**681,928**	681,928		681,928
Balance of retained earnings at beginning of fiscal year	**1,256,278**	858,177	398,100	858,177
Increase:	**143,541**	247,441	(103,900)	446,977
Net income	**136,521**	236,619	(100,097)	429,283
Reduction in land revaluation excess	**7,020**	10,822	(3,802)	17,694
Decrease:	**(157,982)**	(30,460)	(127,521)	(48,877)
Cash dividends	**(157,907)**	(30,457)	(127,449)	(48,873)
Bonuses to directors of consolidated subsidiaries	**(75)**	(3)	(71)	(3)
Balance of retained earnings at end of (interim) fiscal year	**1,241,837**	1,075,158	166,678	1,256,278

Mitsubishi Tokyo Financial Group, Inc.

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(Japanese GAAP)

4. Non-Consolidated Balance Sheets

(in millions of yen)	As of September 30, 2004 (A)	As of September 30, 2003 (B)	Increase/(Decrease) (A) (B)	As of March 31, 2004 (C)	Increase/(Decrease) (A) (C)
Assets:					
Cash and due from banks	**6,733,032**	8,646,356	(1,913,323)	5,418,791	1,314,241
Call loans	**264,826**	787,828	(523,002)	838,128	(573,302)
Receivables under resale agreements	**141,199**	57,964	83,235	458,662	(317,462)
Receivables under securities borrowing transactions	**2,270,074**	3,103,441	(833,366)	2,757,662	(487,587)
Commercial paper and other debt purchased	**528,302**	286,902	241,399	457,187	71,115
Trading assets	**3,836,123**	4,456,764	(620,640)	4,204,602	(368,478)
Money held in trust	**398,980**	407,977	(8,996)	414,457	(15,476)
Investment securities	**25,876,278**	16,038,996	9,837,282	20,766,910	5,109,368
Allowance for losses on investment securities	**(1,242)**	(2,856)	1,614	(1,923)	680
Loans and bills discounted	**36,001,958**	34,260,461	1,741,496	34,816,640	1,185,317
Foreign exchanges	**648,426**	584,631	63,795	557,677	90,749
Other assets	**1,417,170**	2,487,755	(1,070,584)	1,731,951	(314,780)
Premises and equipment	**562,409**	612,419	(50,009)	580,409	(17,999)
Deferred tax assets	**502,196**	786,838	(284,642)	527,692	(25,496)
Customers liabilities for acceptances and guarantees	**3,551,691**	3,708,476	(156,784)	3,377,138	174,552
Allowance for loan losses	**(455,266)**	(579,522)	124,256	(468,577)	13,311
Total assets	**82,276,162**	75,644,432	6,631,729	76,437,410	5,838,752
Liabilities:					
Deposits	**52,351,389**	50,397,958	1,953,430	51,819,415	531,973
Negotiable certificates of deposit	**2,673,131**	2,766,399	(93,267)	1,626,476	1,046,655
Debentures	**30,752**	517,498	(486,746)	265,957	(235,204)
Call money	**2,096,530**	1,669,275	427,254	2,456,412	(359,882)
Payables under repurchase agreements	**3,560,445**	2,564,436	996,008	1,818,440	1,742,005
Payables under securities lending transactions	**806,530**	1,014,511	(207,981)	386,061	420,469
Bills sold	**5,829,000**	2,113,200	3,715,800	3,247,400	2,581,600
Trading liabilities	**770,563**	921,379	(150,815)	800,207	(29,643)
Borrowed money	**1,303,162**	1,592,983	(289,821)	1,344,764	(41,602)
Foreign exchanges	**1,131,446**	905,401	226,044	1,068,964	62,481
Short-term corporate bonds	**297,600**	213,500	84,100	300,200	(2,600)
Bonds and notes	**2,567,860**	2,438,260	129,600	2,567,140	720
Other liabilities	**2,130,354**	1,918,821	211,533	2,066,730	63,623
Reserve for employees bonuses	**7,476**	6,515	960	6,053	1,422
Reserve for employees retirement benefits	**16,448**	9,914	6,533	13,272	3,175
Reserve for financial assistance to specific borrowers		1,371	(1,371)		
Reserve for expenses related to EXPO 2005 Japan	**131**	64	66	97	33
Reserves under special laws	**31**	31		31	
Deferred tax liabilities on land revaluation excess	**125,597**	126,697	(1,099)	130,408	(4,810)
Acceptances and guarantees	**3,551,691**	3,708,476	(156,784)	3,377,138	174,552

Total liabilities	**79,250,142**	72,886,696	6,363,445	73,295,173	5,954,968
Shareholder s equity:					
Capital stock	**871,973**	871,973		871,973	
Capital surplus	**681,928**	681,928		681,928	
Capital reserve	**681,928**	681,928		681,928	
Retained earnings	**998,836**	923,101	75,734	1,041,547	(42,710)
Revenue reserve	**190,044**	190,044		190,044	
Voluntary reserves	**664,890**	475,701	189,188	475,701	189,188
Unappropriated profit	**143,901**	257,355	(113,453)	375,801	(231,899)
Net income	**108,176**	229,764	(121,587)	359,754	(251,578)
Land revaluation excess	**160,684**	186,740	(26,056)	167,704	(7,020)
Unrealized gains on securities available for sale	**312,597**	93,992	218,605	379,082	(66,485)
Total shareholder s equity	**3,026,020**	2,757,736	268,284	3,142,236	(116,216)
Total liabilities and shareholder s equity	**82,276,162**	75,644,432	6,631,729	76,437,410	5,838,752

Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

(Japanese GAAP)

5. Non-Consolidated Statements of Operations

	For the six months ended September 30,		Increase/ (Decrease)	For the year ended
(in millions of yen)	**2004 (A)**	2003 (B)	(A) (B)	March 31, 2004
Ordinary income:				
Interest income:	**441,852**	457,325	(15,472)	887,752
Interest on loans and discounts	**277,893**	288,121	(10,228)	569,937
Interest and dividends on securities	**97,848**	89,064	8,784	182,201
Fees and commissions	**116,652**	97,727	18,925	205,938
Trading profits	**30,934**	33,116	(2,182)	57,961
Other business income	**92,045**	128,722	(36,677)	205,278
Other ordinary income	**46,969**	59,892	(12,923)	114,075
Total ordinary income	**728,455**	776,784	(48,329)	1,471,005
Ordinary expenses:				
Interest expense:	**127,890**	138,823	(10,932)	255,402
Interest on deposits	**65,064**	55,706	9,357	110,763
Interest on debentures	**348**	2,312	(1,964)	4,035
Fees and commissions	**24,067**	24,369	(302)	52,541
Trading losses	**1,675**	4,920	(3,245)	3,221
Other business expenses	**57,696**	82,393	(24,696)	122,362
General and administrative expenses	**254,026**	256,642	(2,615)	505,343
Other ordinary expenses	**92,030**	120,635	(28,604)	241,912
Total ordinary expenses	**557,386**	627,783	(70,397)	1,180,784
Ordinary profit	**171,068**	149,001	22,067	290,221
Special gains	**11,322**	246,160	(234,838)	325,586
Special losses	**6,237**	9,171	(2,933)	28,088
Income before income taxes and others	**176,152**	385,990	(209,838)	587,719
Income taxes-current	**1,791**	27,861	(26,070)	44,462
Income taxes-deferred	**66,185**	128,365	(62,180)	183,503
Net income	**108,176**	229,764	(121,587)	359,754
Unappropriated retained earnings brought forward	**28,705**	16,769	11,936	16,769
Reduction in land revaluation excess	**7,020**	10,822	(3,802)	17,694
Interim dividends				18,416
Unappropriated retained earnings	**143,901**	257,355	(113,453)	375,801

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Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

(Japanese GAAP)

6. Notional Principal or Contract Amount, Market Value and Valuation Gains (Losses) on Derivatives

The publication is omitted in order to be disclosed by EDINET.

<Reference>

1. Derivatives qualified for hedge-accounting [Consolidated]

	(in billions of yen)	
	As of September 30, 2004	
	Notional principal or contract amount	Market value
Interest rate futures	5,839.2	(1.2)
Interest rate swaps	23,769.1	96.4
Currency swaps	3,336.2	(20.8)
Other interest rate-related transactions	797.3	3.1
Others	0.8	(0.0)
Total		77.5

Note : Derivatives which are accounted for on an accrual basis based on Accounting standard for financial instruments are not included in the table above.

Notional principal by the remaining life of the interest rate swaps above is as follows:

(in billions of yen)

As of September 30, 2004

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years	Total
Receive-fix/pay-floater	5,251.5	10,699.5	1,218.3	17,169.3
Receive-floater/pay-fix	3,173.6	1,977.9	1,438.1	6,589.7
Receive-floater/pay-floater		10.0		10.0
Total	8,425.1	12,687.4	2,656.4	23,769.1

2. Deferred gains (losses) [Consolidated]

(in billions of yen)

	As of September 30, 2004		
	Deferred gains (A)	Deferred losses (B)	Net gains (losses) (A) (B)
Interest rate futures	10.5	11.0	(0.5)
Interest rate swaps	206.7	184.9	21.8
Currency swaps	22.0	20.2	1.8
Other interest rate-related transactions	1.2	0.1	1.1
Others	2.3	2.4	(0.1)
Total	242.9	218.8	24.1

Note : Deferred gains (losses) attributable to the macro hedge accounting as of September 30, 2004 are included in the above table.

Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

7. Financial Results (The Bank of Tokyo-Mitsubishi, Ltd. and Consolidated Subsidiaries)

(in millions of yen)

	For the six months ended September 30, 2003 (A)	**For the six months ended September 30, 2004 (B)**	Increase/ (Decrease) (B) (A)
Gross profits	722,151	**723,537**	1,385
Net interest income	424,269	**411,081**	(13,187)
Trust fees	8,622	**8,571**	(50)
Net fees and commissions	176,026	**213,167**	37,140
Net trading profits	70,074	**45,467**	(24,607)
Net other business income	43,157	**45,248**	2,090
Net gains (losses) on debt securities	(16,876)	**22,944**	39,821
General and administrative expenses	401,872	**420,693**	18,821
Net business profits before provision for formula allowance for loan losses	320,278	**302,843**	(17,435)
Provision for formula allowance for loan losses (1)			
Net business profits*	320,278	**302,843**	(17,435)
Net non-recurring losses	(114,092)	**(54,557)**	59,535
Credit related costs (2)	(84,402)	**(51,005)**	33,397
Losses on loan charge-offs	(46,957)	**(26,890)**	20,067
Provision for specific allowance for loan losses			
Losses on sales of loans to the Resolution and Collection Corporation	(14,020)	**(852)**	13,168
Provision for allowance for loans to specific foreign borrowers			
Other credit related costs	(23,424)	**(23,263)**	161
Net gains (losses) on equity securities	(11,282)	**560**	11,842
Gains on sales of equity securities	30,464	**37,991**	7,527
Losses on sales of equity securities	(40,107)	**(13,679)**	26,428
Losses on write down of equity securities	(1,638)	**(23,751)**	(22,112)
Equity in profit (loss) of affiliates	(771)	**943**	1,714
Other	(17,635)	**(5,055)**	12,580
Ordinary profit	206,186	**248,286**	42,099
Net special gains	229,167	**10,378**	(218,789)
Gains on loans charged-off(3)	12,535	**8,425**	(4,110)
Reversal of allowance for loan losses (4)	166,175	**6,849**	(159,325)
Losses on impairment of fixed assets		**(3,825)**	(3,825)
Income before income taxes and others	435,354	**258,664**	(176,689)
Income taxes-current	44,584	**26,234**	(18,350)
Income taxes-deferred	130,817	**73,535**	(57,282)
Minority interest	23,332	**22,373**	(958)
Net income	236,619	**136,521**	(100,097)

Note:
* Net business profits = Net business profits of The Bank of Tokyo-Mitsubishi, Ltd. + Other consolidated entities gross profits Other consolidated entities general and administrative expenses Other consolidated entities provision for formula allowance for loan losses Inter-company transactions.

(Reference)

Total credit costs (1)+(2)+(4)	81,772	**(44,156)**	(125,928)
Total credit costs + Gains on loans charged-off (1)+(2)+(3)+(4)	94,307	**(35,730)**	(130,038)
Number of consolidated subsidiaries	144	**132**	(12)
Number of affiliated companies accounted for by the equity method	23	**23**	

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Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

Financial Results (The Bank of Tokyo-Mitsubishi, Ltd.)

(in millions of yen)

	For the six months ended September 30, 2003 (A)	**For the six months ended September 30, 2004 (B)**	Increase/ (Decrease) (B) (A)
Gross profits	467,403	**471,059**	3,655
Domestic gross profits	222,433	**290,999**	68,565
Net interest income	208,647	**217,119**	8,472
Net fees and commissions	43,472	**60,809**	17,337
Net trading profits	1,782	**(1,271)**	(3,053)
Net other business income	(31,469)	**14,340**	45,809
Net gains (losses) on debt securities	(22,995)	**17,385**	40,380
Non-domestic gross profits	244,969	**180,060**	(64,909)
Net interest income	110,872	**97,746**	(13,126)
Net fees and commissions	29,884	**31,775**	1,890
Net trading profits	26,413	**30,529**	4,116
Net other business income	77,799	**20,008**	(57,790)
Net gains on debt securities	4,903	**5,798**	894
General and administrative expenses	232,351	**237,600**	5,248
Personnel expenses	89,505	**89,256**	(248)
Non-personnel expenses	130,279	**135,867**	5,587
Taxes	12,566	**12,475**	(90)
Net business profits before provision for formula allowance for loan losses	235,051	**233,459**	(1,592)
Provision for formula allowance for loan losses (1)			
Net business profits	235,051	**233,459**	(1,592)
Net non-recurring losses	(86,050)	**(62,390)**	23,660
Credit related costs (2)	(61,972)	**(41,746)**	20,225
Losses on loan charge-offs	(23,696)	**(17,631)**	6,064
Provision for specific allowance for loan losses			
Losses on sales of loans to the Resolution and Collection Corporation	(13,655)	**(852)**	12,802
Provision for allowance for loans to specific foreign borrowers			
Other credit related costs	(24,621)	**(23,263)**	1,358
Net gains (losses) on equity securities	5,930	**(1,158)**	(7,089)
Gains on sales of equity securities	50,030	**36,154**	(13,876)
Losses on sales of equity securities	(40,127)	**(13,621)**	26,505
Losses on write down of equity securities	(3,972)	**(23,691)**	(19,719)
Others	(30,009)	**(19,484)**	10,524
Ordinary profit	149,001	**171,068**	22,067
Net special gains	236,989	**5,084**	(231,905)
Gains on loans charged-off (3)	12,790	**5,688**	(7,102)

Reversal of allowance for loan losses (4)	172,744	**3,561**	(169,183)
Losses on impairment of fixed assets		**(2,657)**	(2,657)
Income before income taxes	385,990	**176,152**	(209,838)
Income taxes-current	27,861	**1,791**	(26,070)
Income taxes-deferred	128,365	**66,185**	(62,180)
Net income	229,764	**108,176**	(121,587)
Total credit costs (1)+(2)+(4)	110,772	**(38,185)**	(148,957)
Total credit costs + Gains on loans charged-off (1)+(2)+(3)+(4)	123,562	**(32,497)**	(156,059)

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Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

8. Average Interest Rate Spread

[Non-Consolidated]

	(percentage per annum)		
	For the six months ended September 30,		Increase/ (Decrease)
	2004(A)	2003(B)	(A) (B)
Total average interest rate on interest-earning assets (a)	1.36	1.55	(0.19)
Average interest rate on Loans and bills discounted	1.58	1.67	(0.08)
Average interest rate on Investment securities	0.82	0.94	(0.12)
Total average interest rate on interest-bearing liabilities (b)	1.05	1.17	(0.12)
Average interest rate on Deposits, NCD and Debentures	0.25	0.23	0.02
Average interest rate on external liabilities	0.46	0.98	(0.51)
Total average interest rate spread (a)-(b)	0.30	0.37	(0.07)

	(percentage per annum)		
Average interest rate spread in domestic business segment:			
Total average interest rate on interest-earning assets (a)	0.98	1.09	(0.10)
Average interest rate on Loans and bills discounted	1.38	1.46	(0.07)
Average interest rate on Investment securities	0.43	0.45	(0.02)
Total average interest rate on interest-bearing liabilities (b)	0.72	0.81	(0.09)
Average interest rate on Deposits, NCD and Debentures	0.03	0.03	(0.00)
Average interest rate on external liabilities	0.28	0.73	(0.44)
Total average interest rate spread (a)-(b)	0.26	0.28	(0.01)

9. Valuation Differences on Securities

(1) Valuation method of securities

Trading securities	Market value (valuation differences are recorded as profits or losses)
Debt securities being held to maturity	Amortized cost
Stocks of subsidiaries and affiliates	Cost
Securities available for sale	Market value (valuation differences are included in shareholders equity, net of income taxes)

(Reference) Securities in money held in trust

Trading purposes	Market value (valuation differences are recorded as profits or losses)
Being held to maturity	Amortized cost
Other	Market value (valuation differences are included in shareholders equity, net of income taxes)

(2) Valuation differences

[Consolidated]

(in millions of yen)

	As of September 30, 2004					As of September 30, 2003			As of March 31, 2004		
	Valuation differences					Valuation differences			Valuation differences		
	(A)	**(A) (B)**	**(A) (C)**	**Gains**	**Losses**	(B)	Gains	Losses	(C)	Gains	Losses
Debt securities being held to maturity	**9,331**	**7,377**	**7,357**	**9,332**	**0**	1,954	1,955	0	1,974	3,197	1,223
Securities available for sale	**518,369**	**333,687**	**(131,927)**	**668,300**	**149,931**	184,682	482,353	297,671	650,296	792,943	142,647
Domestic equity securities	**506,020**	**293,051**	**(101,523)**	**590,600**	**84,579**	212,969	409,682	196,713	607,544	693,953	86,409
Domestic bonds	**946**	**50,420**	**15,954**	**21,510**	**20,564**	(49,474)	11,793	61,267	(15,007)	21,033	36,041
Other	**11,402**	**(9,785)**	**(46,358)**	**56,189**	**44,787**	21,187	60,878	39,690	57,760	77,955	20,195
Total	**527,700**	**341,064**	**(124,570)**	**677,633**	**149,932**	186,636	484,308	297,672	652,270	796,141	143,870
Domestic equity securities	**506,020**	**293,051**	**(101,523)**	**590,600**	**84,579**	212,969	409,682	196,713	607,544	693,953	86,409
Domestic bonds	**8,839**	**58,314**	**23,459**	**29,403**	**20,564**	(49,474)	11,793	61,267	(14,620)	22,638	37,259
Other	**12,840**	**(10,300)**	**(46,506)**	**57,629**	**44,788**	23,141	62,833	39,691	59,347	79,548	20,201

[Non-Consolidated]

(in millions of yen)

	As of September 30, 2004					As of September 30, 2003			As of March 31, 2004		
	Valuation differences					Valuation differences			Valuation differences		
	(A)	**(A) (B)**	**(A) (C)**	**Gains**	**Losses**	(B)	Gains	Losses	(C)	Gains	Losses
Debt securities being held to maturity	**8,229**	**8,111**	**7,546**	**8,230**	**0**	118	119	0	683	1,903	1,220
Stocks of subsidiaries and affiliates	**496,074**	**104,142**	**2,565**	**496,074**		391,931	391,992	60	493,508	493,517	8
	526,672	**369,126**	**(111,637)**	**653,630**	**126,957**	157,546	450,214	292,668	638,310	759,175	120,864

Securities available for sale											
Domestic equity securities	**498,363**	**289,874**	**(101,526)**	**582,605**	**84,242**	208,488	404,742	196,253	599,889	674,637	74,747
Domestic bonds	**960**	**50,435**	**15,998**	**21,501**	**20,540**	(49,474)	11,792	61,267	(15,038)	21,002	36,041
Other	**27,348**	**28,816**	**(26,110)**	**49,523**	**22,174**	(1,467)	33,678	35,146	53,459	63,535	10,075
Total	**1,030,976**	**481,379**	**(101,525)**	**1,157,934**	**126,958**	549,596	842,325	292,729	1,132,502	1,254,596	122,094
Domestic equity securities	**576,585**	**296,788**	**(194,396)**	**660,827**	**84,242**	279,796	476,061	196,265	770,981	845,729	74,747
Domestic bonds	**8,853**	**58,328**	**23,504**	**29,394**	**20,540**	(49,474)	11,792	61,267	(14,651)	22,607	37,258
Other	**445,537**	**126,262**	**69,365**	**467,712**	**22,174**	319,275	354,471	35,196	376,171	386,259	10,087

Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

10. Risk-Adjusted Capital Ratio Based on the Standards of the BIS

[Consolidated]

(in billions of yen except percentages)

			As of September 30, 2004 (A) (Preliminary basis)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
(1)		Risk-adjustedcapital ratio	**10.56%**	(1.33)%	(1.41)%	11.89%	11.97%
(2)		Tier 1 capital	**3,005.3**	123.1	129.3	2,882.2	2,876.0
(3)		Tier 2 capital includable as qualifying capital	**2,178.4**	(260.5)	(236.8)	2,438.9	2,415.3
	i)	The amount of unrealized gains on investment securities, includable as qualifying capital	**234.2**	150.3	(59.7)	83.9	294.0
	ii)	The amount of land revaluation excess includable as qualifying capital	**128.7**	(12.2)	(5.3)	140.9	134.0
	iii)	Subordinated debt	**1,507.8**	(161.6)	(1.2)	1,669.4	1,509.0
(4)		Tier 3 capital includable as qualifying capital		(29.9)	(30.0)	29.9	30.0
(5)		Deductions from total qualifying capital	**442.7**	403.8	401.0	38.8	41.7
(6)		Total qualifying capital (2)+(3)+(4)-(5)	**4,741.0**	(571.1)	(538.5)	5,312.1	5,279.5
(7)		Risk-adjusted assets	**44,893.6**	247.4	799.7	44,646.1	44,093.8

[Non-Consolidated]

(in billions of yen except percentages)

			As of September 30, 2004 (A) (Preliminary basis)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
(1)		Risk-adjusted capital ratio	**10.65%**	(1.57)%	(1.53)%	12.23%	12.18%
(2)		Tier 1 capital	**2,529.7**	71.1	92.1	2,458.5	2,437.5
(3)		Tier 2 capital includable as qualifying capital	**2,015.5**	(213.4)	(216.7)	2,229.0	2,232.3
	i)	The amount of unrealized gains on investment securities, includable as qualifying capital	**236.9**	165.8	(50.3)	71.0	287.3
	ii)	The amount of land revaluation excess includable as qualifying capital	**128.8**	(12.2)	(5.3)	141.0	134.1
	iii)	Subordinated debt	**1,464.7**	(156.6)	3.6	1,621.3	1,461.1
(4)		Tier 3 capital includable as qualifying capital		(18.7)	(12.4)	18.7	12.4
(5)		Deductions from total qualifying capital	**404.3**	399.2	399.7	5.0	4.5

(6)	Total qualifying capital (2)+(3)+(4)-(5)	**4,140.9**	(560.3)	(536.7)	4,701.2	4,677.7
(7)	Risk-adjusted assets	**38,853.3**	416.4	477.9	38,436.9	38,375.3

Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

2 Loan Portfolio and Other

1. Risk-Monitored Loans

(Non-accrual loans, accruing loans contractually past due 3 months or more and restructured loans)

[Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Loans to customers in bankruptcy	**17,068**	(21,051)	(5,616)	38,119	22,684
Past due loans	**903,212**	217,058	384,103	686,154	519,109
Accruing loans contractually past due 3 months or more	**11,886**	(5,367)	(374)	17,253	12,260
Restructured loans	**248,575**	(452,925)	(260,337)	701,501	508,913
Total	**1,180,742**	(262,286)	117,775	1,443,028	1,062,966
Amount of direct reduction	274,321	(93,642)	(26,288)	367,964	300,610
Loans and bills discounted	**39,469,702**	1,536,626	1,452,142	37,933,075	38,017,560
Percentage of total loans and bills discounted					
Loans to customers in bankruptcy	**0.04%**	(0.05)%	(0.01)%	0.10%	0.05%
Past due loans	**2.28%**	0.47%	0.92%	1.80%	1.36%
Accruing loans contractually past due 3 months or more	**0.03%**	(0.01)%	(0.00)%	0.04%	0.03%
Restructured loans	**0.62%**	(1.21)%	(0.70)%	1.84%	1.33%
Total	**2.99%**	(0.81)%	0.19%	3.80%	2.79%

[Non-Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Loans to customers in bankruptcy	**11,389**	(12,855)	(3,788)	24,244	15,177
Past due loans	**849,379**	264,538	404,255	584,840	445,124
Accruing loans contractually past due 3 months or more	**10,816**	(4,937)	(1,018)	15,753	11,835
Restructured loans	**247,095**	(451,906)	(260,345)	699,002	507,440
Total	**1,118,680**	(205,160)	139,102	1,323,841	979,578
Amount of direct reduction	229,046	(89,001)	(14,390)	318,047	243,437
Loans and bills discounted	**36,001,958**	1,741,496	1,185,317	34,260,461	34,816,640
Percentage of total loans and bills discounted					
Loans to customers in bankruptcy	**0.03%**	(0.03)%	(0.01)%	0.07%	0.04%
Past due loans	**2.35%**	0.65%	1.08%	1.70%	1.27%
Accruing loans contractually past due 3 months or more	**0.03%**	(0.01)%	(0.00)%	0.04%	0.03%
Restructured loans	**0.68%**	(1.35)%	(0.77)%	2.04%	1.45%
Total	**3.10%**	(0.75)%	0.29%	3.86%	2.81%

Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

2. Classification of Risk-Monitored Loans

Classification by geographic area

[Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Domestic*	**937,168**	(263,087)	129,493	1,200,256	807,675
Overseas*	**243,574**	801	(11,717)	242,772	255,291
Asia	**33,070**	(311)	10,424	33,382	22,645
Indonesia	**3,065**	(6,850)	(1,025)	9,916	4,090
Thailand	**2,724**	(4,737)	(5,138)	7,462	7,863
Hong Kong	**22,148**	15,504	17,431	6,643	4,717
Other	**5,131**	(4,228)	(842)	9,360	5,974
United States of America	**160,888**	19,974	(23,171)	140,913	184,060
Other	**49,615**	(18,861)	1,029	68,477	48,585
Total	**1,180,742**	(262,286)	117,775	1,443,028	1,062,966

Note:* Domestic and Overseas are classified by domicile of borrowers.

Classification by type of industry of borrowers

[Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Domestic*	**937,168**	(263,087)	129,493	1,200,256	807,675
Manufacturing	**131,192**	20,873	29,872	110,318	101,319

Construction	**39,606**	(55,247)	(4,206)	94,854	43,813
Wholesale and Retail	**266,476**	(26,037)	76,844	292,514	189,632
Banks and other financial institutions	**65,652**	55,902	50,709	9,749	14,943
Real estate	**270,747**	(52,751)	(4,724)	323,498	275,472
Services	**67,527**	(39,050)	(14,425)	106,578	81,953
Other industries	**21,118**	(27,076)	723	48,194	20,394
Consumer	**74,846**	(139,700)	(5,300)	214,546	80,146
Overseas*	**243,574**	801	(11,717)	242,772	255,291
Banks and other financial institutions	**94,673**	93,258	14,085	1,415	80,588
Commercial and industrial	**147,318**	(89,762)	(19,110)	237,080	166,429
Other	**1,582**	(2,694)	(6,692)	4,276	8,274
Total	**1,180,742**	(262,286)	117,775	1,443,028	1,062,966

Note:* Domestic and Overseas are classified by domicile of borrowers.

Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

3. Allowance for Loan Losses

[Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Allowance for loan losses	**609,129**	(165,356)	(20,924)	774,485	630,054
Formula allowance for loan losses	**307,563**	(236,986)	(170,527)	544,549	478,090
Specific allowance for loan losses	**296,504**	75,188	150,450	221,315	146,054
Allowance for loans to specific foreign borrowers	**5,061**	(3,558)	(847)	8,620	5,908

[Non-Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Allowance for loan losses	**455,266**	(124,256)	(13,311)	579,522	468,577
Formula allowance for loan losses	**185,052**	(210,518)	(164,628)	395,571	349,680
Specific allowance for loan losses	**265,151**	89,821	152,164	175,330	112,987
Allowance for loans to specific foreign borrowers	**5,061**	(3,558)	(847)	8,620	5,908
Reserve for financial assistance to specific borrowers		(1,371)		1,371	

4. Coverage Ratio against Risk-Monitored Loans

[Consolidated]

(in millions of yen)

As of September 30, 2004 (A)	Increase/ (Decrease)	Increase/ (Decrease)	As of September 30, 2003 (B)	As of March 31, 2004 (C)

		(A) (B)	(A) (C)		
Allowance for loan losses (a)	**609,129**	(165,356)	(20,924)	774,485	630,054
Risk-monitored loans (b)	**1,180,742**	(262,286)	117,775	1,443,028	1,062,966
Coverage ratio (a)/(b)	**51.58%**	(2.08)%	(7.68)%	53.67%	59.27%

[Non-Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Allowance for loan losses (a)	**455,266**	(124,256)	(13,311)	579,522	468,577
Risk-monitored loans (b)	**1,118,680**	(205,160)	139,102	1,323,841	979,578
Coverage ratio (a)/(b)	**40.69%**	(3.07)%	(7.13)%	43.77%	47.83%

Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

5. Disclosed Claims under the Financial Reconstruction Law (the FRL)

[Non-Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Claims to bankrupt and substantially bankrupt debtors	**71,475**	(52,468)	(19,490)	123,943	90,966
Claims under high risk	**902,042**	395,933	519,506	506,108	382,536
Claims under close observation	**257,912**	(456,843)	(261,363)	714,756	519,276
Total (1)	**1,231,430**	(113,378)	238,651	1,344,808	992,778
Normal claims	**39,062,829**	1,760,140	1,210,357	37,302,689	37,852,472

6. Status of Secured Coverage on Disclosed Claims under the FRL

[Non-Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Secured coverage amount (2)	**837,741**	(152,112)	162,054	989,854	675,687
Allowance for loan losses	**296,779**	(9,027)	86,397	305,806	210,381
Reserve for financial assistance to specific borrowers					
Collateral, guarantees, etc.	**540,962**	(143,085)	75,656	684,047	465,305
Secured coverage ratio (2)/(1)	**68.02%**	(5.57)%	(0.03)%	73.60%	68.06%

Secured Coverage of Each Category of Disclosed Claims under the FRL

[Non-Consolidated]

(in millions of yen)

Category	Disclosed amount (A)	Allowance for loan losses (B)	Reserve for financial assistance to specific borrowers (C)	Collectable amount by collateralized and guaranteed loans (D)	Coverage ratio [(B)+(C)] / [(A)-(D)]	Coverage ratio [(B)+(C)+(D)] / (A)
Claims to bankrupt and substantially bankrupt debtors	71,475 [90,966]	5,742 [5,283]		65,732 [85,683]	100.00% [100.00%]	100.00% [100.00%]
Claims under high risk	902,042 [382,536]	255,016 [105,087]		335,061 [210,741]	44.97% [61.17%]	65.41% [82.56%]
Claims under close observation	257,912 [519,276]	36,019 [100,011]		140,168 [168,880]	30.59% [28.54%]	68.31% [51.78%]
Sub total (1)	1,231,430 [992,778]	296,779 [210,381]		540,962 [465,305]	42.98% [39.88%]	68.02% [68.06%]
Normal claims	39,062,829 [37,852,472]					
Total (2)	40,294,260 [38,845,250]					
Sub total (1) / Total (2)	3.05% [2.55]%					

Note: The upper figures are as of September 30, 2004. The lower figures with bracket are as of March 31, 2004.

Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

7. Progress in the Disposal of Problem Assets [Non-Consolidated]
(excluding claims under close observation)

(1) Assets categorized as problem assets as of September 30, 2000 based on the FRL

(in billions of yen)

	As of September 30, 2000	As of March 31, 2001	As of September 30, 2001	As of March 31, 2002	As of September 30, 2002	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	274.3	144.3	150.6	144.9	210.9	38.7	19.0	14.9	6.3	(8.6)
Claims under high risk	1,053.5	944.9	758.4	538.4	193.6	13.5	10.3	7.4	7.1	(0.3)
Total	1,327.8	1,089.2	909.0	683.4	404.6	52.3	29.3	22.4	**13.5(A)**	**(8.9)(B)**

Progress in the disposal of problem assets

(in billions of yen)

	First half of fiscal 2004
Disposition by borrowers liquidation	(0.0)
Re-constructive disposition	0.1
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	0.1
Charge-off	8.2
Other	0.3
Collection of claims	0.3
Improvements in financial status	
Total	**8.9(B)**

Above (A) includes the following figures which facilitates the final disposal of problem assets.

	(in billions of yen)
	First half of fiscal 2004
Legal liquidation	0.6
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	2.4
Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	3.1

(2) Assets newly categorized as problem assets during second half of fiscal 2000 based on the FRL

(in billions of yen)

	As of March 31, 2001	As of September 30, 2001	As of March 31, 2002	As of September 30, 2002	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	106.8	98.3	94.3	44.0	18.6	17.8	14.7	14.0	(0.6)
Claims under high risk	635.3	575.4	447.4	269.3	72.5	49.1	30.7	25.5	(5.2)
Total	742.2	673.7	541.8	313.3	91.2	67.0	45.5	**39.6(C)**	**(5.8)(D)**

Progress in the disposal of problem assets

	(in billions of yen)
	First half of fiscal 2004
Disposition by borrowers liquidation	
Re-constructive disposition	0.0
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	0.4
Charge-off	0.0
Other	5.3
Collection of claims	2.3
Improvements in financial status	2.9
Total	**5.8 (D)**

Above (C) includes the following figures which facilitates the final disposal of problem assets.

	(in billions of yen) First half of fiscal 2004
Legal liquidation	0.8
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	12.9
Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	13.8

(3) Assets newly categorized as problem assets during first half of fiscal 2001 based on the FRL

(in billions of yen)

	As of September 30, 2001	As of March 31, 2002	As of September 30, 2002	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	27.1	25.6	26.4	17.8	11.4	6.7	5.5	(1.2)
Claims under high risk	257.0	140.1	79.9	47.2	27.9	17.7	14.2	(3.5)
Total	284.2	165.8	106.3	65.1	39.4	24.5	**19.8 (E)**	**(4.7) (F)**

Progress in the disposal of problem assets

(in billions of yen)

	First half of fiscal 2004
Disposition by borrowers liquidation	(0.0)
Re-constructive disposition	0.0
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	1.2
Charge-off	0.1
Other	3.3
Collection of claims	2.3
Improvements in financial status	0.9
Total	**4.7 (F)**

Above (E) includes the following figures which facilitates the final disposal of problem assets.

(in billions of yen)

First half of fiscal 2004

Legal liquidation	0.3
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	5.1
Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	5.5

(4) Assets newly categorized as problem assets during second half of fiscal 2001 based on the FRL

	(in billions of yen)						
	As of March 31, 2002	As of September 30, 2002	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	57.3	35.4	14.7	12.3	4.7	4.6	(0.1)
Claims under high risk	315.9	162.4	104.1	48.5	28.3	25.8	(2.4)
Total	373.2	197.9	118.9	60.8	33.0	**30.4 (G)**	**(2.6) (H)**

Progress in the disposal of problem assets

	(in billions of yen)
	First half of fiscal 2004
Disposition by borrowers liquidation	0.2
Re-constructive disposition	0.0
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	0.0
Charge-off	0.2
Other	2.0
Collection of claims	1.6
Improvements in financial status	0.3
Total	**2.6 (H)**

Above (G) includes the following figures which facilitates the final disposal of problem assets.

	(in billions of yen)
	First half of fiscal 2004

Legal liquidation	0.8
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	3.7
Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	4.6

Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

(5) Assets newly categorized as problem assets during first half of fiscal 2002 based on the FRL

(in billions of yen)

	As of September 30, 2002	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	24.6	19.8	16.7	9.1	6.1	(3.0)
Claims under high risk	279.9	143.5	82.7	47.2	34.2	(13.0)
Total	304.5	163.3	99.5	56.4	**40.3(I)**	**(16.0)(J)**

Progress in the disposal of problem assets

(in billions of yen)

	First half of fiscal 2004
Disposition by borrowers liquidation	0.0
Re-constructive disposition	1.1
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	1.5
Charge-off	0.8
Other	12.4
Collection of claims	5.4
Improvements in financial status	7.0
Total	**16.0 (J)**

Above (I) includes the following figures which facilitates the final disposal of problem assets.

(in billions of yen)

	First half of fiscal 2004
Legal liquidation	0.5
Quasi-legal liquidation	
Split-off of problem loans	

Partial charge-off of smaller balance loans	3.7
Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	4.3

(6) Assets newly categorized as problem assets during second half of fiscal 2002 based on the FRL

	(in billions of yen)				
	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	26.7	32.0	22.0	19.5	(2.4)
Claims under high risk	390.7	169.1	115.7	59.3	(56.4)
Total	417.5	201.2	137.8	**78.9(K)**	**(58.8)(L)**

Progress in the disposal of problem assets

	(in billions of yen)
	First half of fiscal 2004
Disposition by borrowers liquidation	0.4
Re-constructive disposition	(0.0)
Improvements in financial status due to re-constructive disposition	20.4
Loan sales to secondary market	2.0
Charge-off	0.9
Other	35.1
Collection of claims	10.8
Improvements in financial status	24.2
Total	**58.8 (L)**

Above (K) includes the following figures which facilitates the final disposal of problem assets.

	(in billions of yen)
	First half of fiscal 2004
Legal liquidation	2.1
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	5.7

Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	7.9

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(7) Assets newly categorized as problem assets during first half of fiscal 2003 based on the FRL

(in billions of yen)

	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	14.3	8.8	4.9	(3.9)
Claims under high risk	118.2	73.3	53.1	(20.1)
Total	132.5	82.2	**58.1**(M)	**(24.1)**(N)

Progress in the disposal of problem assets

(in billions of yen)

	First half of fiscal 2004
Disposition by borrowers liquidation	0.1
Re-constructive disposition	0.5
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	2.2
Charge-off	0.9
Other	20.1
Collection of claims	8.6
Improvements in financial status	11.4
Total	**24.1** (N)

Above (M) includes the following figures which facilitates the final disposal of problem assets.

(in billions of yen)

	First half of fiscal 2004
Legal liquidation	1.5
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	3.4

Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	4.9

(8) Assets newly categorized as problem assets during second half of fiscal 2003 based on the FRL

	(in billions of yen)		
	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	9.5	5.4	(4.1)
Claims under high risk	61.8	25.2	(36.5)
Total	71.3	**30.6(O)**	**(40.7)(P)**

Progress in the disposal of problem assets

	(in billions of yen)
	First half of fiscal 2004
Disposition by borrowers liquidation	1.2
Re-constructive disposition	3.2
Improvements in financial status due to re-constructive disposition	
Loan sales to secondary market	15.9
Charge-off	2.4
Other	17.8
Collection of claims	13.0
Improvements in financial status	4.7
Total	**40.7 (P)**

Above (O) includes the following figures which facilitates the final disposal of problem assets.

	(in billions of yen)
	First half of fiscal 2004
Legal liquidation	2.6
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	2.6
Entrust through the managed trust method to the Resolution and Collection Corporation	

Total	5.3

Mitsubishi Tokyo Financial Group, Inc.

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(9) Assets newly categorized as problem assets during first half of fiscal 2004 based on the FRL

	(in billions of yen)
	As of September 30, 2004
Claims to bankrupt and substantially bankrupt debtors	4.7
Claims under high risk	657.2
Total	661.9(Q)

Above (Q) includes the following figures which facilitates the final disposal of problem assets.

	(in billions of yen)
	First half of fiscal 2004
Legal liquidation	2.0
Quasi-legal liquidation	
Split-off of problem loans	
Partial charge-off of smaller balance loans	2.6
Entrust through the managed trust method to the Resolution and Collection Corporation	
Total	4.6

(10) Historical trend of problem assets based on the FRL

	(in billions of yen)									
	As of September 30, 2000	As of March 31, 2001	As of September 30, 2001	As of March 31, 2002	As of September 30, 2002	As of March 31, 2003	As of September 30, 2003	As of March 31, 2004 (a)	As of September 30, 2004 (b)	(b) (a)
Claims to bankrupt and substantially bankrupt debtors	274.3	251.2	276.1	322.3	341.5	136.6	123.9	90.9	71.4	(19.4)

Claims under high risk	1,053.5	1,580.2	1,590.9	1,442.0	985.3	772.0	506.1	382.5	902.0	519.5
Total	1,327.8	1,831.4	1,867.0	1,764.4	1,326.9	908.6	630.0	473.5	973.5	500.0

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8. Classification of Loans by Type of Industry

(1) Loans by type of industry [Non-Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Domestic offices (excluding loans booked at offshore markets)	**31,730,000**	1,949,659	1,052,358	29,780,340	30,677,641
Manufacturing	**4,081,650**	(87,837)	(40,220)	4,169,487	4,121,870
Agriculture	**10,050**	(2,272)	(545)	12,322	10,595
Forestry	**4,784**	(447)	(103)	5,231	4,887
Fishery	**2,663**	89	210	2,574	2,453
Mining	**29,418**	(5,853)	(1,179)	35,271	30,597
Construction	**773,380**	(91,268)	(23,390)	864,648	796,770
Utilities	**242,928**	(19,959)	(5,608)	262,887	248,536
Media and Communication	**556,887**	(88,399)	(47,076)	645,286	603,963
Wholesale and Retail	**3,827,219**	(351,044)	(129,643)	4,178,263	3,956,862
Banks and other financial institutions	**2,361,089**	381,067	475,350	1,980,022	1,885,739
Real estate	**3,524,956**	83,743	69,852	3,441,213	3,455,104
Services	**3,856,653**	(566,691)	(41,549)	4,423,344	3,898,202
Municipal government	**39,464**	8,343	6,397	31,121	33,067
Other industries	**12,418,859**	2,690,187	789,862	9,728,671	11,628,996
Overseas offices and loans booked at offshore markets	**4,271,958**	(208,162)	132,959	4,480,120	4,138,998
Total	**36,001,958**	1,741,496	1,185,317	34,260,461	34,816,640

(2) Domestic consumer loans [Non-Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Total domestic consumer loans	**7,974,102**	261,662	175,137	7,712,440	7,798,965
Housing loans	**7,562,169**	314,275	198,710	7,247,894	7,363,459
Others	**411,933**	(52,613)	(23,573)	464,546	435,506

(3) Domestic loans to small and medium-sized companies [Non-Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Domestic loans to small and medium-sized companies	**17,585,118**	129,772	256,126	17,455,345	17,328,991
Percentage to total domestic loans	**55.42%**	(3.19)%	(1.06)%	58.61%	56.48%

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Mitsubishi Tokyo Financial Group, Inc.

(The Bank of Tokyo-Mitsubishi, Ltd.)

9. Loans and Deposits [Non-Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Deposits (ending balance)	**52,351,389**	1,953,430	531,973	50,397,958	51,819,415
Deposits (average balance)	**51,429,113**	2,649,716	2,142,964	48,779,396	49,286,149
Loans (ending balance)	**36,001,958**	1,741,496	1,185,317	34,260,461	34,816,640
Loans (average balance)	**35,015,495**	641,784	355,059	34,373,711	34,660,436

10. Domestic Deposits [Non-Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Individuals	**27,085,776**	853,371	417,827	26,232,405	26,667,948
Corporations and others	**17,676,984**	(242,496)	(55,860)	17,919,481	17,732,845
Domestic deposits	**44,762,761**	610,874	361,967	44,151,886	44,400,794

Note: Amounts do not include negotiable certificates of deposit, deposits of overseas offices and JOM accounts.

11. Number of Employees [Non-Consolidated]

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) - (B)	Increase/ (Decrease) (A) - (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Number of Employees	**14,351**	(711)	(117)	15,062	14,468

12. Number of Offices [Non-Consolidated]

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Domestic	**267**	(6)		273	267
Head office and Branches	**247**	(7)	(2)	254	249
Sub-branches and Agencies	**20**	1	2	19	18
Overseas	**73**			73	73
Branches	**42**		(1)	42	43
Sub-branches	**15**	1	1	14	14
Representative offices	**16**	(1)		17	16
Total	**340**	(6)		346	340

Mitsubishi Tokyo Financial Group, Inc.

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13. Status of Deferred Tax Assets [Non-Consolidated]

(1) Tax Effects of the Items Comprising Net Deferred Tax Assets

[Non-Consolidated]

(in billions of yen)

	Sep. 30, 2004	vs. Mar. 31, 2004
Deferred Tax Assets	727.4	(73.9)
Allowance for loan losses	236.0	3.8
Write-down of investment securities	82.1	(1.2)
Net operating loss carryforwards	407.1	(78.0)
Reserve for employees retirement benefits	31.9	1.6
Unrealized losses on securities available for sale		
Other	37.2	(0.4)
Valuation allowance	(67.1)	0.2
Deferred tax liabilities	225.2	(48.4)
Gains on placing trust for retirement benefits	7.3	
Unrealized gains on securities available for sale	213.9	(45.5)
Other	3.9	(2.9)
Net Deferred Tax Assets	502.1	(25.4)
[Consolidated]		
Net Deferred Tax Assets	436.8	(24.0)

(2) Net Business Profits before Credit Costs and Taxable Income (Current Interim Fiscal Year)

[Non-Consolidated]

(in billions of yen)

	Interim FY 2004
Net business profits before credit costs	233.4
Credit related costs	38.1
Income before income taxes	176.1
Reconciliation to taxable income	10.3
Taxable income	186.5

(3) Net Business Profits before Credit Costs and Taxable Income (Past Five Fiscal Years)

[Non-Consolidated]

(in billions of yen)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Net business profits before credit costs	400.8	388.9	463.3	511.5	466.8
Credit related costs	504.5	554.0	484.8	341.0	(135.3)
Income before income taxes	279.9	(225.3)	(317.4)	(287.3)	587.7
Reconciliation to taxable income	82.1	393.0	137.3	(821.7)	(404.1)
Taxable income	362.1	167.6	(180.0)	(1,109.0)	183.5

(4) Classification Based on Prior Year Operating Results as Provided in the JICPA Audit Committee Report No.66

Although we recorded taxable income for the six months ended September 30, 2004, we are classified as 4 described above since we have material net operating loss carryforwards. However since we believe the net operating loss carryforwards are attributable to extraordinary factors such as changes in laws and regulations, we apply the exception to classification 4. (Five years future taxable income is estimable.)

[Extraordinary Factors Such as Changes in Laws and Regulations]

Our net operating loss carryforwards were incurred due to, among other things, the followings : (i) we accelerated the final disposal of nonperforming loans in response to both the Emerging Economic Package , which provided guidance to major banks to remove from their balance sheets claims to debtors classified as likely to become bankrupt or below, and the Program for Financial Revival , which urged major banks to reduce the ratio of disclosed claims to total claims by about half; and (ii) we reduced our holdings of strategic equity investments under the Law Concerning Restriction, etc. of Banks Shareholdings etc .

(5) Realizability of Deferred Tax Assets at September 30, 2004 (Assumptions)

(in billions of yen)

	Five year total (2004 2nd half to 2009 1st half)
Net business profits (based on our business plan) (*1)	3,870.0
Net business profits (basis of realizability determination) (*2)	3,110.0
Income before income taxes (basis of realizability determination)	2,570.0
Taxable income before adjustments (basis of realizability determination) (*3)	2,890.0
Temporary difference + net operating loss carryforwards (for which deferred tax assets shall be recognized)	1,801.2
Deferred tax assets at September 30, 2004 (*4)	727.4

(*1) Before credit costs
(*2) Based on the scenario that current short-term interest rate level continues for the next five years
(*3) Before reversals of existing deductible temporary differences and net operating loss carryforwards
(*4) Temporary difference + net operating loss carryforwards (for which deferred tax assets shall be recognized) multiplied by effective tax rate

(Reference) Assumptions for Business Plan

	FY 2004 2nd half	FY 2005	FY 2006	FY 2007	FY2008	FY 2009 1st half
S/T interest rate (3 m/s TIBOR)	0.08%	0.13%	0.50%	0.57%	0.88%	1.12%
L/T interest rate (10 year JGB)	1.78%	1.90%	2.30%	2.03%	2.58%	2.95%
Exchange rate (USD/Yen)	¥ 105	¥ 105	¥ 105	¥ 105	¥ 105	¥ 105

14. Employees Retirement Benefits

Benefit obligation

[Non-Consolidated]

		(in millions of yen)
		As of September 30, 2004
Projected benefits obligation at beginning of the period	(A-B+C+D+G+J)	577,647
Fair value of plan assets at beginning of the period	(A)	506,585
Prepaid pension cost at beginning of the period	(B)	54,442
Reserve for employees retirement benefits at beginning of the period	(C)	13,376
Unrecognized net obligation by the change of accounting policy at beginning of the period	(D)	11,199
Amortization for the current period (Amortized period 5 years)	(E)	5,599
Unrecognized net obligation at end of the interim period	(F)	5,599
Unrecognized prior service cost at beginning of the period	(G)	(31,371)
Amortization for the current period (Amortized period 10 years)	(H)	(1,836)
Unrecognized prior service cost at end of the interim period	(I)	(29,535)
Unrecognized net actuarial loss at beginning of the period	(J)	132,299
Amortization for the current period (Amortized period 10 years)	(K)	8,820
Unrecognized net actuarial loss at end of the interim period	(L)	123,479
Net amount unrecognized at beginning of the period	(M)(D+G+J)	112,128
Net amount amortized for the current period	(N)(E+H+K)	12,583
Net amount unrecognized at end of the interim period	(O)(M-N)	99,544

Note : Discount rate is 2.1%.

15. Earning Projections for the Fiscal Year Ending March 31, 2005

[Consolidated]

(in billions of yen)

	For the year ending March 31, 2005	For the six months ended September 30, 2004
Ordinary income	**2,000.0**	1,019.3
Ordinary profit	**525.0**	248.2
Net income	**275.0**	136.5

[Non-Consolidated]

(in billions of yen)

	For the year ending March 31, 2005	For the six months ended September 30, 2004
Ordinary income	**1,500.0**	728.4
Ordinary profit	**380.0**	171.0
Net income	**210.0**	108.1
Net business profits before provision for formula allowance for loan losses	**500.0**	233.4

Selected Interim Financial Information

under Japanese GAAP

For the Fiscal Year Ending March 31, 2005

The Mitsubishi Trust and Banking Corporation

Mitsubishi Tokyo Financial Group, Inc.

(The Mitsubishi Trust and Banking Corporation)

[Contents]

Mitsubishi Tokyo Financial Group, Inc.

(The Mitsubishi Trust and Banking Corporation)

1 Interim Financial Highlights under Japanese GAAP for the Fiscal Year Ending March 31, 2005

(Japanese GAAP)

1. Consolidated Balance Sheets

	As of September 30,		Increase/ (Decrease)	As of March 31,	Increase/ (Decrease)
(in millions of yen)	**2004 (A)**	2003 (B)	(A) (B)	2004 (C)	(A) (C)
Assets:					
Cash and due from banks	**869,083**	1,085,451	(216,367)	1,311,942	(442,858)
Call loans and bills bought	**210,627**	112,593	98,033	211,800	(1,172)
Receivables under securities borrowing transactions	**964,561**	1,931,532	(966,970)	1,042,049	(77,488)
Commercial paper and other debt purchased	**62,708**	23,076	39,631	40,851	21,856
Trading assets	**319,373**	376,341	(56,968)	277,967	41,406
Money held in trust	**6,880**	10,142	(3,262)	6,953	(73)
Investment securities	**6,814,258**	6,038,108	776,149	7,415,627	(601,369)
Allowance for losses on investment securities	**(19)**	(81)	61	(25)	5
Loans and bills discounted	**8,660,203**	8,499,575	160,627	8,588,926	71,276
Foreign exchanges	**9,946**	12,925	(2,979)	10,717	(770)
Other assets	**546,230**	1,082,852	(536,622)	790,162	(243,931)
Premises and equipment	**162,651**	176,130	(13,479)	166,218	(3,567)
Deferred tax assets	**210,875**	271,981	(61,106)	186,617	24,257
Deferred tax assets on land revaluation losses		1,803	(1,803)		
Customers liabilities for acceptances and guarantees	**216,561**	358,941	(142,379)	230,475	(13,913)
Allowance for loan losses	**(192,674)**	(268,813)	76,138	(202,584)	9,909
Total assets	**18,861,266**	19,712,561	(851,294)	20,077,700	(1,216,433)
Liabilities:					
Deposits	**10,506,179**	10,531,669	(25,489)	10,846,664	(340,484)
Negotiable certificates of deposit	**1,348,808**	1,088,064	260,744	1,348,411	397
Call money and bills sold	**907,398**	477,683	429,715	1,157,889	(250,490)
Payables under repurchase agreements	**653,132**	311,650	341,481	503,988	149,143
Payables under securities lending transactions	**1,472,245**	2,939,215	(1,466,970)	1,991,528	(519,283)
Commercial paper	**323,600**	422,000	(98,400)	396,000	(72,400)
Trading liabilities	**63,110**	92,273	(29,163)	75,374	(12,264)
Borrowed money	**212,540**	205,096	7,443	202,124	10,415
Foreign exchanges	**3,908**	16,447	(12,539)	12,865	(8,957)
Short-term corporate bonds	**71,300**		71,300	40,000	31,300
Bonds and notes	**402,199**	388,900	13,299	383,899	18,300
Due to trust account	**1,367,460**	1,336,541	30,919	1,380,268	(12,808)
Other liabilities	**370,684**	703,136	(332,451)	504,940	(134,256)
Reserve for employees bonuses	**3,741**	3,817	(75)	3,756	(14)
Reserve for employees retirement benefits	**1,302**	1,884	(581)	1,068	233
Reserve for expenses related to EXPO 2005 Japan	**80**	39	41	60	20
Deferred tax liabilities		78	(78)	91	(91)

Deferred tax liabilities on land revaluation excess	**8,425**	1,699	6,726	8,517	(92)
Acceptances and guarantees	**216,561**	358,941	(142,379)	230,475	(13,913)
Total liabilities	**17,932,681**	18,879,140	(946,459)	19,087,926	(1,155,245)
Minority interest	**4,376**	3,815	561	4,499	(122)
Shareholder s equity:					
Capital stock	**324,279**	324,279		324,279	
Capital surplus	**274,752**	274,752		274,752	
Retained earnings	**221,592**	155,191	66,400	216,076	5,515
Land revaluation excess	**(9,351)**	(302)	(9,048)	(9,586)	235
Unrealized gains on securities available for sale	**119,713**	80,361	39,351	187,336	(67,623)
Foreign currency translation adjustments	**(6,776)**	(4,676)	(2,100)	(7,584)	807
Total shareholder s equity	**924,208**	829,605	94,603	985,273	(61,065)
Total liabilities, minority interest and shareholder s equity	**18,861,266**	19,712,561	(851,294)	20,077,700	(1,216,433)

Mitsubishi Tokyo Financial Group, Inc.

(The Mitsubishi Trust and Banking Corporation)

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2. Consolidated Statements of Operations

	For the six months ended September 30,		Increase/ (Decrease)	For the year ended
(in millions of yen)	**2004 (A)**	2003 (B)	(A) (B)	March 31, 2004
Ordinary income:				
Trust fees	**37,573**	27,829	9,743	70,487
Interest income:	**131,221**	160,205	(28,984)	300,665
(Interest on loans and discounts)	**48,663**	50,019	(1,355)	100,352
(Interest and dividends on securities)	**62,687**	85,527	(22,840)	158,415
Fees and commissions	**36,239**	29,020	7,218	63,582
Trading profits	**4,554**	2,243	2,311	2,612
Other business income	**22,928**	45,380	(22,452)	50,094
Other ordinary income	**10,176**	22,694	(12,517)	34,044
Total ordinary income	**242,692**	287,373	(44,680)	521,485
Ordinary expenses:				
Interest expense:	**38,515**	54,027	(15,511)	94,821
(Interest on deposits)	**18,375**	17,719	656	34,794
Fees and commissions	**5,408**	6,480	(1,071)	11,850
Trading losses				244
Other business expenses	**25,982**	27,131	(1,148)	40,419
General and administrative expenses	**82,864**	90,349	(7,484)	176,601
Other ordinary expenses	**27,945**	30,237	(2,292)	50,145
Total ordinary expenses	**180,717**	208,226	(27,509)	374,083
Ordinary profit	**61,975**	79,147	(17,171)	147,402
Special gains	**8,929**	13,210	(4,280)	16,486
Special losses	**3,955**	18,009	(14,053)	23,881
Income before income taxes and others	**66,949**	74,348	(7,399)	140,006
Income taxes-current	**13,423**	(19,007)	32,430	(31,401)
Income taxes-deferred	**22,035**	28,658	(6,622)	39,708
Minority interest	**387**	728	(341)	1,452
Net income	**31,103**	63,969	(32,865)	130,247

Mitsubishi Tokyo Financial Group, Inc.

(The Mitsubishi Trust and Banking Corporation)

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3. Consolidated Statements of Capital Surplus and Retained Earnings

	For the six months ended September 30,		Increase/ (Decrease)	For the year ended
	2004(A)	2003(B)	(A) (B)	March 31, 2004
(in millions of yen)				
Balance of capital surplus at beginning of fiscal year	**274,752**	274,752		274,752
Balance of capital surplus at end of (interim) fiscal year	**274,752**	274,752		274,752
Balance of retained earnings at beginning of fiscal year	**216,076**	102,888	113,187	102,888
Increase:	**31,103**	63,969	(32,865)	130,270
Net income	**31,103**	63,969	(32,865)	130,247
Decrease in consolidated subsidiaries				22
Decrease:	**(25,587)**	(11,666)	(13,921)	(17,082)
Cash dividends	**(25,350)**	(9,898)	(15,452)	(15,674)
Reduction in land revaluation excess	**(237)**	(1,768)	1,530	(1,407)
Balance of retained earnings at end of (interim) fiscal year	**221,592**	155,191	66,400	216,076

Mitsubishi Tokyo Financial Group, Inc.

(The Mitsubishi Trust and Banking Corporation)

(Japanese GAAP)

4. Non-Consolidated Balance Sheets

	As of September 30,		Increase/ (Decrease)	As of March 31,	Increase/ (Decrease)
	2004 (A)	2003 (B)	(A) (B)	2004 (C)	(A) (C)
(in millions of yen)					
Assets:					
Cash and due from banks	**778,413**	813,957	(35,543)	1,221,929	(443,515)
Call loans	**210,522**	112,593	97,928	176,600	33,922
Receivables under securities borrowing transactions	**505,169**	1,117,283	(612,114)	450,049	55,119
Bills bought				35,200	(35,200)
Commercial paper and other debt purchased	**61,702**	23,076	38,626	40,851	20,850
Trading assets	**319,373**	376,341	(56,968)	277,967	41,406
Money held in trust	**6,880**	10,142	(3,262)	6,953	(73)
Investment securities	**6,817,581**	6,044,696	772,885	7,416,391	(598,809)
Allowance for losses on investment securities	**(19)**	(403)	383	(25)	5
Loans and bills discounted	**8,646,843**	8,477,601	169,242	8,573,188	73,654
Foreign exchanges	**9,946**	12,947	(3,001)	10,717	(770)
Other assets	**540,850**	1,074,053	(533,203)	783,933	(243,082)
Premises and equipment	**138,580**	152,153	(13,572)	141,787	(3,206)
Deferred tax assets	**209,530**	271,086	(61,556)	185,281	24,248
Deferred tax assets on land revaluation losses		1,803	(1,803)		
Customers liabilities for acceptances and guarantees	**218,638**	370,664	(152,025)	245,371	(26,733)
Allowance for loan losses	**(191,947)**	(268,350)	76,402	(201,986)	10,039
Total assets	**18,272,064**	18,589,647	(317,582)	19,364,209	(1,092,144)
Liabilities:					
Deposits	**10,466,006**	10,511,433	(45,426)	10,844,731	(378,724)
Negotiable certificates of deposit	**1,348,808**	1,088,064	260,744	1,347,875	932
Call money	**291,598**	369,583	(77,984)	505,489	(213,890)
Payables under repurchase agreements	**653,132**	311,650	341,481	503,988	149,143
Payables under securities lending transactions	**1,004,154**	1,893,685	(889,530)	1,334,914	(330,760)
Bills sold	**615,800**	108,100	507,700	652,400	(36,600)
Commercial paper	**323,600**	422,000	(98,400)	396,000	(72,400)
Trading liabilities	**63,100**	92,273	(29,173)	75,374	(12,274)
Borrowed money	**308,160**	325,009	(16,848)	319,922	(11,761)
Foreign exchanges	**3,909**	16,449	(12,540)	12,875	(8,965)
Short-term corporate bonds	**71,300**		71,300	40,000	31,300
Bonds and notes	**283,800**	242,800	41,000	242,800	41,000
Due to trust account	**1,367,460**	1,336,541	30,919	1,380,268	(12,808)
Other liabilities	**326,926**	673,769	(346,842)	474,024	(147,097)
Reserve for employees bonuses	**2,975**	3,119	(143)	3,013	(38)
Reserve for employees retirement benefits	**187**	859	(671)		187
Reserve for expenses related to EXPO 2005 Japan	**80**	39	41	60	20
Deferred tax liabilities on land revaluation excess	**6,480**		6,480	6,508	(28)
Acceptances and guarantees	**218,638**	370,664	(152,025)	245,371	(26,733)

Total liabilities	**17,356,120**	17,766,042	(409,922)	18,385,618	(1,029,498)
Shareholder s equity:					
Capital stock	**324,279**	324,279		324,279	
Capital surplus	**274,752**	274,752		274,752	
Capital reserve	**274,752**	274,752		274,752	
Retained earnings	**206,862**	147,247	59,614	202,359	4,502
Revenue reserve	**49,526**	49,409	117	49,526	
Voluntary reserves	**109,206**	19,207	89,999	19,207	89,999
Unappropriated profit	**48,128**	78,630	(30,501)	133,624	(85,496)
Net income	**30,181**	60,965	(30,784)	122,781	(92,600)
Land revaluation excess	**(9,074)**	(2,649)	(6,424)	(9,403)	328
Unrealized gains on securities available for sale	**119,125**	79,976	39,149	186,603	(67,477)
Total shareholder s equity	**915,944**	823,604	92,339	978,590	(62,646)
Total liabilities and shareholder s equity	**18,272,064**	18,589,647	(317,582)	19,364,209	(1,092,144)

Mitsubishi Tokyo Financial Group, Inc.

(The Mitsubishi Trust and Banking Corporation)

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5. Non-Consolidated Statements of Operations

(in millions of yen)	For the six months ended September 30, 2004 (A)	For the six months ended September 30, 2003 (B)	Increase/ (Decrease) (A) (B)	For the year ended March 31, 2004
Ordinary income:				
Trust fees	**37,573**	27,829	9,743	70,487
Interest income:	**123,940**	150,440	(26,500)	286,713
(Interest on loans and discounts)	**47,887**	49,081	(1,194)	98,734
(Interest and dividends on securities)	**62,423**	84,975	(22,551)	158,871
Fees and commissions	**30,644**	25,206	5,437	56,645
Trading profits	**3,637**	1,109	2,527	648
Other business income	**22,747**	45,549	(22,802)	49,554
Other ordinary income	**9,248**	20,535	(11,286)	28,547
Total ordinary income	**227,791**	270,671	(42,880)	492,595
Ordinary expenses:				
Interest expense:	**33,042**	47,133	(14,090)	83,861
(Interest on deposits)	**18,324**	18,660	(335)	35,737
Fees and commissions	**5,649**	6,726	(1,076)	12,444
Trading losses				244
Other business expenses	**24,863**	26,090	(1,227)	38,460
General and administrative expenses	**77,731**	85,172	(7,441)	165,912
Other ordinary expenses	**26,875**	30,778	(3,903)	53,158
Total ordinary expenses	**168,162**	195,902	(27,739)	354,082
Ordinary profit	**59,628**	74,769	(15,141)	138,513
Special gains	**8,674**	13,319	(4,645)	15,993
Special losses	**3,790**	17,413	(13,622)	23,208
Income before income taxes and others	**64,511**	70,675	(6,163)	131,297
Income taxes-current	**12,313**	(18,896)	31,210	(32,920)
Income taxes-deferred	**22,016**	28,606	(6,589)	41,436
Net income	**30,181**	60,965	(30,784)	122,781
Unappropriated retained earnings brought forward	**18,275**	17,356	918	17,356

Reduction in land revaluation excess	**(328)**	307	(636)	(619)
Interim dividends				5,776
Transfer to legal reserve				117
Unappropriated retained earnings	**48,128**	78,630	(30,501)	133,624

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6. Notional Principal or Contract Amount, Market Value and Valuation Gains (Losses) on Derivatives

The publication is omitted in order to be disclosed by EDINET.

<Reference>

1. Derivatives qualified for hedge-accounting [Consolidated]

(in billions of yen)

	As of September 30, 2004	
	Notional principal or contract amount	Market value
Interest rate futures		
Interest rate swaps	6,290.2	8.3
Currency swaps	1,707.9	(16.2)
Other interest rate-related transactions		
Others		
Total		(7.8)

Note : Derivatives which are accounted for on an accrual basis based on Accounting standard for financial instruments are not included in the table above.

Notional principal by the remaining life of the interest rate swaps above is as follows:

(in billions of yen)

As of September 30, 2004			
Due within 1 year	Due after 1 year through 5 years	Due after 5 years	Total

Receive-fix/pay-floater	1,345.5	3,930.3	139.0	5,414.9
Receive floater/pay-fix	199.4	484.3	191.3	875.2
Total	1,545.0	4,414.7	330.4	6,290.2

2. Deferred gains (losses) [Consolidated]

	(in billions of yen)		
	As of September 30, 2004		
	Deferred gains (A)	Deferred losses (B)	Net gains (losses) (A) (B)
Interest rate futures			
Interest rate swaps	45.2	44.2	1.0
Currency swaps	1.2	0.7	0.4
Other interest rate-related transactions		0.1	(0.1)
Others			
Total	46.4	45.1	1.2

Note : Deferred gains (losses) attributable to the macro hedge accounting as of September 30, 2004 are included in the above table.

Mitsubishi Tokyo Financial Group, Inc.

(The Mitsubishi Trust and Banking Corporation)

7. Comparison of Statement of Trust Assets and Liabilities

(1) Comparison of Statement of Trust Assets and Liabilities

The Mitsubishi Trust and Banking Corporation

	As of September 30,		Increase/ (Decrease)	As of March 31,	Increase/ (Decrease)
(in millions of Yen)	**2004 (A)**	2003 (B)	(A) (B)	2004 (C)	(A) (C)
Assets:					
Loans and bills discounted	**651,019**	895,594	(244,575)	735,872	(84,853)
Securities	**6,158,900**	5,540,057	618,842	6,156,235	2,665
Beneficiary rights to the trust	**10,617,286**	9,074,428	1,542,857	9,664,593	952,692
Securities held in custody accounts	**4,186,647**	3,863,012	323,634	4,225,797	(39,150)
Money claims	**3,986,427**	3,447,631	538,795	3,988,567	(2,140)
Premises and equipment	**2,518,697**	1,862,032	656,664	2,327,330	191,367
Surface rights	**548**		548	548	
Lease rights	**23,608**	23,791	(183)	23,695	(87)
Other claims	**1,653,445**	1,807,968	(154,523)	1,193,978	459,466
Call loans	**124,388**	341,520	(217,132)	520,517	(396,129)
Due from banking account	**1,367,460**	1,336,541	30,919	1,380,268	(12,808)
Cash and due from banks	**1,627,434**	1,480,557	146,877	1,557,583	69,851
Total assets	**32,915,863**	29,673,137	3,242,725	31,774,989	1,140,873
Liabilities:					
Money trusts	**7,516,676**	6,731,357	785,318	7,525,601	(8,925)
Pension trusts	**74,923**	81,877	(6,953)	63,411	11,512
Property formation benefit trusts	**12,724**	12,344	380	12,958	(233)
Loan trusts	**673,111**	945,709	(272,598)	792,932	(119,821)
Investment trusts	**10,360,938**	8,835,970	1,524,967	9,424,449	936,489
Money entrusted other than money trusts	**204,178**	295,772	(91,593)	291,449	(87,270)
Securities trusts	**7,326,192**	7,377,662	(51,470)	7,276,403	49,789
Money claim trusts	**4,016,779**	3,388,774	628,005	3,876,931	139,847
Land and fixtures trusts	**101,694**	172,140	(70,446)	127,435	(25,740)
Other trusts	**2,628,644**	1,831,527	797,116	2,383,417	245,226
Total liabilities	**32,915,863**	29,673,137	3,242,725	31,774,989	1,140,873

Note:

Joint trust assets under the management of other companies	as of September 30, 2004 : 28,666,467 millions of yen as of September 30, 2003 : 32,431,438 millions of yen as of March 31, 2004 : 31,853,153 millions of yen

<Reference>

Of the joint trust assets the management of other companies mentioned above Note, the balance at the end of the interim business period of fiscal year includes the trust assets which were entrusted to The Mitsubishi Trust and Banking Corporation and Master Trust assets of the Service-Shared Co-Trusteeship (here in after referred to as Trust Assets under Service-Shared Co-Trusteeship). The comparison of statement of trust assets and liabilities which is obtained by adding up Trust Assets under Service-Shared Co-Trusteeship is given on the next page.

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The Comparison of Statement of Trust Assets and Liabilities which is obtained by adding up Trust Assets under Service-Shared Co-Trusteeship

	As of September 30,		Increase/ (Decrease)	As of March 31,	Increase/ (Decrease)
(in millions of Yen)	**2004 (A)**	2003 (B)	(A) (B)	2004 (C)	(A) (C)
Assets:					
Loans and bills discounted	**651,019**	895,594	(244,575)	735,872	(84,853)
Securities	**24,861,173**	25,983,180	(1,122,007)	26,511,148	(1,649,975)
Beneficiary rights to the trust	**11,654,288**	10,171,247	1,483,040	10,911,534	742,753
Securities held in custody accounts	**4,231,291**	3,863,703	367,588	4,241,080	(9,788)
Money claims	**4,038,827**	3,471,620	567,207	4,034,942	3,884
Premises and equipment	**2,518,697**	1,862,032	656,664	2,327,330	191,367
Surface rights	**548**		548	548	
Lease rights	**23,608**	23,791	(183)	23,695	(87)
Other claims	**2,180,063**	2,324,554	(144,491)	1,768,093	411,970
Call loans	**1,042,955**	1,275,194	(232,239)	1,406,530	(363,575)
Due from banking account	**1,621,085**	1,733,142	(112,056)	1,702,841	(81,756)
Cash and due from banks	**2,549,834**	1,804,849	744,984	2,212,768	337,065
Total assets	**55,373,392**	53,408,912	1,964,480	55,876,387	(502,994)
Liabilities:					
Money trusts	**17,593,514**	18,223,827	(630,312)	19,604,145	(2,010,630)
Pension trusts	**8,177,076**	8,206,779	(29,702)	8,274,971	(97,895)
Property formation benefit trusts	**12,724**	12,344	380	12,958	(233)
Loan trusts	**673,111**	945,709	(272,598)	792,932	(119,821)
Investment trusts	**10,360,938**	8,835,970	1,524,967	9,424,449	936,489
Money entrusted other than money trusts	**2,037,510**	2,357,868	(320,357)	2,010,336	27,174
Securities trusts	**7,370,837**	7,378,353	(7,516)	7,291,686	79,150
Money claim trusts	**4,016,779**	3,388,774	628,005	3,876,931	139,847
Land and fixtures trusts	**101,694**	172,140	(70,446)	127,435	(25,740)
Other trusts	**5,029,205**	3,887,143	1,142,061	4,460,539	568,665
Total liabilities	**55,373,392**	53,408,912	1,964,480	55,876,387	(502,994)

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(2) Supplemental Data (As of September 30, 2004)

The component items of trusts with contracts for compensating the principal, including trusts for which the beneficiary interests are re-entrusted for investing in trust assets, are presented below.

Money trusts (Jointly operated designated money in trust)

	(in millions of Yen)
Assets:	
Loans and bills discounted	201,766
Securities	228,883
Other	485,270
Total	915,920
Liabilities:	
Principal	915,281
Reserve for possible loan losses	613
Other	26
Total	915,920

	(in millions of Yen)
Loan trusts	
Assets:	
Loans and bills discounted	349,469
Securities	8,764
Other	662,938
Total	1,021,172
Liabilities:	
Principal	1,004,308
Special reserve funds	5,483
Other	11,379
Total	1,021,172

(3) Financial Highlights [Non-Consolidated]

(in millions of Yen)	As of September 30, 2004 (A)	As of September 30, 2003 (B)	Increase/ (Decrease) (A) (B)	As of March 31, 2004 (C)	Increase/ (Decrease) (A) (C)
Total funds	38,271,242	38,988,158	(716,915)	40,877,615	(2,606,373)
Deposits	10,466,006	10,511,433	(45,426)	10,844,731	(378,724)
Negotiable certificates of deposit	1,348,808	1,088,064	260,744	1,347,875	932
Money trusts	17,593,514	18,223,827	(630,312)	19,604,145	(2,010,630)
Pension trusts	8,177,076	8,206,779	(29,702)	8,274,971	(97,895)
Property formation benefit trusts	12,724	12,344	380	12,958	(233)
Loan trusts	673,111	945,709	(272,598)	792,932	(119,821)
Loans and bills discounted	9,297,862	9,373,196	(75,333)	9,309,061	(11,198)
Banking account	8,646,843	8,477,601	169,242	8,573,188	73,654
Trust account	651,019	895,594	(244,575)	735,872	(84,853)
Investment securities	31,678,755	32,027,877	(349,122)	33,927,539	(2,248,784)

Note:

The balance at the end of the interim business period of fiscal year, trust accounts figures adding up trust assets and liabilities which were entrusted to The Mitsubishi Trust and Banking Corporation and Master Trust assets of the Service-Shared Co-Trusteeship.

Mitsubishi Tokyo Financial Group, Inc.

(The Mitsubishi Trust and Banking Corporation)

8. Financial Results (The Mitsubishi Trust and Banking Corporation and Consolidated Subsidiaries)

(in millions of yen)

	For the six months ended September 30, 2003 (A)	**For the six months ended September 30, 2004 (B)**	Increase/ (Decrease) (B) (A)
Gross profits	177,049	**162,614**	(14,434)
(Gross ordinary profit before trust accounts charge-offs)	185,481	**164,951**	(20,530)
Trust fees	27,829	**37,573**	9,743
Credit costs for trust accounts (1)	(8,432)	**(2,336)**	6,096
Net interest income	106,186	**92,710**	(13,476)
Net fees and commissions	22,539	**30,830**	8,290
Net trading profits	2,243	**4,554**	2,311
Net other business income (loss)	18,249	**(3,054)**	(21,303)
Net gains on debt securities	15,619	**4,892**	(10,727)
General and administrative expenses	82,502	**75,256**	(7,246)
Net business profits before credit costs for trust accounts and provision for formula allowance for loan losses*	102,979	**89,694**	(13,284)
Provision for formula allowance for loan losses (2)	2,037		(2,037)
Net business profits**	96,583	**87,357**	(9,225)
Net non-recurring losses	(17,436)	**(25,382)**	(7,946)
Credit related costs (3)	(11,478)	**(14,397)**	(2,918)
Losses on loan charge-offs	(2,882)	**(1,706)**	1,175
Provision for specific allowance for loan losses	(4,237)		4,237
Provision for allowance for loans to specific foreign borrowers	245		(245)
Other credit related costs	(4,604)	**(12,690)**	(8,085)
Net gains (losses) on equity securities	1,759	**(4,464)**	(6,223)
Gains on sales of equity securities	17,025	**5,773**	(11,252)
Losses on sales of equity securities	(13,297)	**(439)**	12,857
Losses on write down of equity securities	(1,968)	**(9,797)**	(7,829)
Equity in loss of affiliates	(871)	**(800)**	70
Other	(6,845)	**(5,720)**	1,125
Ordinary profit	79,147	**61,975**	(17,171)
Net special gains (losses)	(4,798)	**4,973**	9,772
Reversal of allowance for loan losses (4)		**4,490**	4,490
Gains on loans charged-off(5)	2,813	**3,933**	1,119
Losses on impairment of fixed assets		**(148)**	(148)
Losses on placing financial assets to the trust for retirement benefits	(2,570)	**(2,570)**	0
Income before income taxes and others	74,348	**66,949**	(7,399)
Income taxes-current	(19,007)	**13,423**	32,430
Income taxes-deferred	28,658	**22,035**	(6,622)
Minority interest	728	**387**	(341)

Net income	63,969	**31,103**	(32,865)

Notes:

* Net business profit before credit costs for trust accounts and provision for formula allowance for loan losses = Consolidated net business profit + credit costs for trust accounts + provision for formula allowance for loan losses

** Net business profits = Net business profits of The Mitsubishi Trust and Banking Corporation + Other consolidated entities gross profits Other consolidated entities general and administrative expenses Other consolidated entities provision for formula allowance for loan losses Inter-company transactions.

(Reference)

Total credit costs (1)+(2)+(3)+(4)	(17,873)	**(12,242)**	5,631
Total credit costs + Gains on loans charged-off (1)+(2)+(3)+(4)+(5)	(15,060)	**(8,309)**	6,751
Number of consolidated subsidiaries	28	**18**	(10)
Number of affiliated companies accounted for by the equity method	13	**6**	(7)

Financial Results (The Mitsubishi Trust and Banking Corporation)

(in millions of yen)

	For the six months ended September 30, 2003 (A)	**For the six months ended September 30, 2004 (B)**	Increase/ (Decrease) (B) (A)
Gross profits	170,194	**154,990**	(15,203)
(Gross ordinary profit before trust accounts charge-offs)*	178,627	**157,327**	(21,299)
Domestic gross profits	98,234	**118,260**	20,026
Trust fees	27,829	**37,573**	9,743
Trust fees before trust accounts charge-offs*	36,262	**39,909**	3,647
Loan trusts and money trusts fees (Jointly operated designated money trusts before trust accounts charge-offs)*	19,184	**21,870**	2,686
Other trust fees	17,077	**18,038**	961
Credit costs for trust accounts** (1)	(8,432)	**(2,336)**	6,096
Losses on loan charge-offs	(7,793)	**(2,336)**	5,456
Other losses incurred from sales of loans	(639)		639
Net interest income	48,323	**53,531**	5,208
Net fees and commissions	18,695	**25,406**	6,710
Net trading profits (losses)	(574)	**3,748**	4,323
Net other business income	3,960	**(1,999)**	(5,959)
Net gains (losses) on debt securities	593	**(72)**	(665)
Non-domestic gross profits	71,960	**36,730**	(35,230)
Net interest income	54,993	**37,371**	(17,621)
Net fees and commissions	(215)	**(412)**	(196)
Net trading profits (losses)	1,684	**(111)**	(1,795)
Net other business income	15,498	**(117)**	(15,615)
Net gains on debt securities	15,026	**4,964**	(10,061)
General and administrative expenses	77,326	**70,123**	(7,202)
Personnel expenses	31,354	**25,088**	(6,266)
Non-personnel expenses	43,309	**40,999**	(2,309)
Taxes	2,661	**4,035**	1,373
Net business profits before credit costs for trust accounts and provision for formula allowance for loan losses*	101,300	**87,203**	(14,097)
Provision for formula allowance for loan losses (2)	2,111		(2,111)
Net business profits	94,979	**84,867**	(10,112)
Net non-recurring losses	(20,210)	**(25,239)**	(5,028)
Credit related costs (3)	(11,557)	**(14,300)**	(2,743)
Losses on loan charge-offs	(2,805)	**(1,610)**	1,194
Provision for specific allowance for loan losses	(4,393)		4,393
Provision for allowance for loans to specific foreign borrowers	245		(245)
Other credit related costs	(4,604)	**(12,690)**	(8,085)
Net gains (losses) on equity securities	912	**(4,585)**	(5,497)
Gains on sales of equity securities	17,022	**5,651**	(11,371)
Losses on sales of equity securities	(13,297)	**(439)**	12,857
Losses on write down of equity securities	(2,813)	**(9,797)**	(6,984)

Others	(9,565)	**(6,353)**	3,211
Ordinary profit	74,769	**59,628**	(15,141)
Net special gains (losses)	(4,094)	**4,883**	8,977
Reversal of allowance for loan losses (4)		**4,677**	4,677
Gains on loans charged-off (5)	2,743	**3,844**	1,101
Losses on impairment of fixed assets		**(90)**	(90)
Losses on placing financial assets to the trust for retirement benefits	(2,570)	**(2,570)**	0
Income before income taxes and others	70,675	**64,511**	(6,163)
Income taxes-current	(18,896)	**12,313**	31,210
Income taxes-deferred	28,606	**22,016**	(6,589)
Net income	60,965	**30,181**	(30,784)

Notes:

* Amounts before credit costs for loans in trusts with contracts for compensating the principal

** Credit costs for loans in trusts with contracts for compensating the principal

Total credit costs (1)+(2)+(3)+(4)	(17,878)	**(11,959)**	5,918
Total credit costs + Gains on loans charged-off (1)+(2)+(3)+(4)+(5)	(15,134)	**(8,115)**	7,019

Mitsubishi Tokyo Financial Group, Inc.

(The Mitsubishi Trust and Banking Corporation)

9. Average Interest Rate Spread

[Non-Consolidated]

(percentage per annum)

	For the six months ended September 30, 2004(A)	For the six months ended September 30, 2003(B)	Increase/ (Decrease) (A) (B)
Total average interest rate on interest-earning assets (a)	1.52	1.65	(0.12)
Average interest rate on Loans and bills discounted	1.11	1.19	(0.07)
Average interest rate on Investment securities	2.04	2.28	(0.24)
Total average interest rate on interest-bearing liabilities (b)	0.40	0.51	(0.11)
Average interest rate on Deposits	0.32	0.30	0.01
Total average interest rate spread (a)-(b)	1.12	1.13	(0.01)

(percentage per annum)

Average interest rate spread in domestic business segment:			
Total average interest rate on interest-earning assets (a)	0.96	0.92	0.04
Average interest rate on Loans and bills discounted	1.05	1.10	(0.05)
Average interest rate on Investment securities	1.00	0.92	0.07
Total average interest rate on interest-bearing liabilities (b)	0.15	0.18	(0.03)
Average interest rate on Deposits	0.11	0.14	(0.02)
Total average interest rate spread (a)-(b)	0.81	0.73	0.07

10. Valuation Differences on Securities

(1) Valuation method of securities

Trading securities	Market value (valuation differences are recorded as profits or losses)
Debt securities being held to maturity	Amortized cost
Securities available for sale	Market value (valuation differences are included in shareholders equity, net of income taxes)

(Reference) Securities in money held in trust

Trading purposes	Market value (valuation differences are recorded as profits or losses)

(2) Valuation differences

[Consolidated]

(in millions of yen)

	As of September 30, 2004					As of September 30, 2003			As of March 31, 2004		
	Valuation differences					Valuation differences			Valuation differences		
	(A)	**(A) - (B)**	**(A) - (C)**	**Gains**	**Losses**	(B)	Gains	Losses	(C)	Gains	Losses
Debt securities being held to maturity	**6,000**	**(2,420)**	**(1,029)**	**6,212**	**211**	8,420	8,423	2	7,030	7,030	0
Securities available for sale	**202,772**	**67,105**	**(114,225)**	**236,050**	**33,277**	135,667	199,952	64,285	316,997	340,339	23,342
Domestic equity securities	**144,050**	**97,246**	**(53,513)**	**168,270**	**24,219**	46,804	89,617	42,812	197,564	216,065	18,500
Domestic bonds	**23,170**	**8,266**	**4,767**	**23,924**	**754**	14,904	17,076	2,172	18,402	19,689	1,286
Other	**35,550**	**(38,407)**	**(65,479)**	**43,855**	**8,304**	73,958	93,258	19,300	101,030	104,585	3,554
Total	**208,773**	**64,685**	**(115,254)**	**242,262**	**33,489**	144,087	208,376	64,288	324,027	347,370	23,342
Domestic equity securities	**144,050**	**97,246**	**(53,513)**	**168,270**	**24,219**	46,804	89,617	42,812	197,564	216,065	18,500
Domestic bonds	**28,868**	**7,555**	**4,468**	**29,622**	**754**	21,312	23,488	2,175	24,399	25,686	1,287
Other	**35,854**	**(40,116)**	**(66,209)**	**44,370**	**8,515**	75,970	95,270	19,300	102,063	105,618	3,554

[Non-Consolidated]

(in millions of yen)

	As of September 30, 2004					As of September 30, 2003			As of March 31, 2004		
	Valuation differences					Valuation differences			Valuation differences		
	(A)	**(A) - (B)**	**(A) - (C)**	**Gains**	**Losses**	(B)	Gains	Losses	(C)	Gains	Losses
Debt securities being held to maturity	**5,958**	**(1,954)**	**(931)**	**5,958**		7,912	7,915	2	6,889	6,890	0
Securities available for sale	**200,848**	**66,456**	**(113,769)**	**234,125**	**33,277**	134,391	198,676	64,285	314,617	337,959	23,342
Domestic equity securities	**142,127**	**96,597**	**(53,057)**	**166,346**	**24,219**	45,529	88,341	42,812	195,184	213,685	18,500
Domestic bonds	**23,170**	**8,266**	**4,767**	**23,924**	**754**	14,904	17,076	2,172	18,402	19,689	1,286
Other	**35,550**	**(38,407)**	**(65,479)**	**43,855**	**8,304**	73,958	93,258	19,300	101,030	104,585	3,554
Total	**206,806**	**64,502**	**(114,700)**	**240,084**	**33,277**	142,303	206,592	64,288	321,507	344,850	23,342
Domestic equity securities	**142,127**	**96,597**	**(53,057)**	**166,346**	**24,219**	45,529	88,341	42,812	195,184	213,685	18,500
Domestic bonds	**28,867**	**7,555**	**4,468**	**29,622**	**754**	21,312	23,488	2,175	24,399	25,686	1,287
Other	**35,811**	**(39,650)**	**(66,112)**	**44,115**	**8,304**	75,462	94,762	19,300	101,923	105,478	3,554

Mitsubishi Tokyo Financial Group, Inc.

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(3) Market value information for securities in trusts with contracts for compensating the principal

Money Trusts (jointly operated designated money in trust)

A. Market Value of Securities

	(in millions of yen)		
	Trust Assets at period end	Market Value	Valuation Gains
September 30, 2004	228,883	234,699	5,815

Note: A fair value is given where a fair value can be calculated for a market-value equivalent.

B. Valuation Gains of Derivative Transaction : 4,444 millions of yen

Loan Trusts

A. Market Value of Securities

	(in millions of yen)		
	Trust Assets at period end	Market Value	Valuation Gains
September 30, 2004	8,764	9,384	620

Note: A fair value is given where a fair value can be calculated for a market-value equivalent.

B. Valuation Gains of Derivative Transaction : 10,155 millions of yen

11. Risk-Adjusted Capital Ratio Based on the Standards of the BIS

[Consolidated]

	(in billions of yen except percentages)				
	As of September 30, 2004 (A) (Preliminary basis)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)

(1) Risk-adjusted capital ratio	**11.71%**	(2.41)%	(3.31)%	14.13%	15.03%
(2) Tier 1 capital	**809.9**	62.7	23.9	747.2	785.9
(3) Tier 2 capital includable as qualifying capital	**645.9**	(30.6)	(105.2)	676.6	751.2
i) The amount of unrealized gains on investment securities, includable as qualifying capital	**91.2**	30.1	(51.4)	61.0	142.6
ii) The amount of land revaluation excess includable as qualifying capital	**(0.4)**	(0.2)	0.0	(0.1)	(0.4)
iii) Subordinated debt	**496.6**	3.9	11.7	492.7	484.9
(4) Deductions from total qualifying capital	**311.0**	305.8	294.7	5.1	16.2
(5) Total qualifying capital (2)+(3)-(4)	**1,144.8**	(273.7)	(376.1)	1,418.6	1,520.9
(6) Risk-adjusted assets	**9,770.0**	(264.2)	(347.1)	10,034.2	10,117.1

[Non-Consolidated]

(in billions of yen except percentages)

	As of September 30, 2004 (A) (Preliminary basis)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
(1) Risk-adjusted capital ratio	**11.71%**	(2.62)%	(3.45)%	14.34%	15.16%
(2) Tier 1 capital	**798.1**	57.2	22.1	740.8	776.0
(3) Tier 2 capital includable as qualifying capital	**643.8**	(24.3)	(105.0)	668.1	748.8
i) The amount of unrealized gains on investment securities, includable as qualifying capital	**90.3**	29.9	(51.1)	60.4	141.5
ii) The amount of land revaluation excess includable as qualifying capital	**(1.1)**	0.8	0.1	(2.0)	(1.3)
iii) Subordinated debt	**496.6**	3.9	11.7	492.7	484.9
(4) Deductions from total qualifying capital	**307.9**	305.0	295.5	2.9	12.4
(5) Total qualifying capital (2)+(3)-(4)	**1,134.0**	(272.0)	(378.4)	1,406.0	1,512.4
(6) Risk-adjusted assets	**9,679.2**	(125.7)	(291.1)	9,805.0	9,970.3

Mitsubishi Tokyo Financial Group, Inc.

(The Mitsubishi Trust and Banking Corporation)

2 Loan Portfolio and Other

1. Risk-Monitored Loans

(Non-accrual loans, accruing loans contractually past due 3 months or more and restructured loans)

[Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)
Loans to customers in bankruptcy	**16,677**	(19,747)	(6,776)	36,425	23,454
Past due loans	**270,096**	22,781	95,728	247,315	174,368
Accruing loans contractually past due 3 months or more	**11**	(417)	11	429	
Restructured loans	**77,061**	(108,778)	(115,672)	185,840	192,734
Total	**363,848**	(106,161)	(26,709)	470,010	390,557
Amount of direct reduction	208,186	(29,222)	(19,542)	237,409	227,729
Loans and bills discounted	**8,660,203**	160,627	71,276	8,499,575	8,588,926
Percentage of total loans and bills discounted					
Loans to customers in bankruptcy	**0.19%**	(0.23)%	(0.08)%	0.42%	0.27%
Past due loans	**3.11%**	0.20%	1.08%	2.90%	2.03%
Accruing loans contractually past due 3 months or more	**0.00%**	(0.00)%	0.00%	0.00%	
Restructured loans	**0.88%**	(1.29)%	(1.35)%	2.18%	2.24%
Total	**4.20%**	(1.32)%	(0.34)%	5.52%	4.54%

[Non-Consolidated]

(in millions of yen)

	As of September 30, 2004 (A)	Increase/ (Decrease) (A) (B)	Increase/ (Decrease) (A) (C)	As of September 30, 2003 (B)	As of March 31, 2004 (C)

Loans to customers in bankruptcy	**16,636**	(19,769)	(6,800)	36,406	23,436
Past due loans					

	December 31,		
In Thousands	**2006**		**2005**
Senior credit facility:			
Revolving credit facility replaced October 3, 2006	**$**		$ 149,300
Revolving credit facility expires 2011	**25,900**		
Term loan B due 2013	**648,375**	**(1)**	
7.125% senior notes due 2013	**100,000**		100,000
9.5% senior notes due 2014, net of unamortized discount of $3,409	**496,591**	**(2)**	
10.75% senior subordinated notes due 2016, net of unamortized discount of $2,972	**197,028**	**(3)**	
Other	**30,240**		29,339
Total debt	**1,498,134**		278,639
Less current portion	**32,495**		49,300
Long-term debt	**$1,465,639**		$ 229,339

(1) The term loan requires repayments at a rate of 1.00 percent of the original principal amount thereof per annum on a quarterly basis for the first six years of the term of the loan, with the balance paid in full from equal quarterly installments in the seventh year.

(2) The 9.5 percent Senior Notes were issued with a discount of approximately $3.5 million to yield 9.625 percent. The discount will be accreted over the term of the notes up to the principal amount of $500.0 million using the effective interest method.

(3) The 10.75 percent Senior Subordinated Notes were issued with a discount of approximately $3.0 million to yield 11.0 percent. The discount will be accreted over the term of the notes up to the principal amount of $200.0 million using the effective interest method.

On December 3, 2003, we issued $100.0 million in principal amount of our unsecured 7.125 percent senior notes, which are due December 15, 2013. The proceeds of the notes were used to retire other notes. Interest on these notes is payable June 15 and December 15 of each year. On or after December 15, 2008, we may redeem the notes in whole or in part, initially at 103.563 percent of their principal amount, and thereafter at prices declining annually to 100 percent on or after December 15, 2011.

On October 17, 2005, we entered into an amended and restated credit agreement amending the senior credit agreement dated as of November 12, 1999, as amended on November 23, 2004, and December 3, 2003. The amendment increased our revolving credit commitment from $170.0 million to $240.0 million.

On November 15, 2005, we repaid $100.0 million of 7.625 percent secured notes with proceeds from availability under our senior credit facility.

The Royal Group acquisition was financed with significant indebtedness, including $500.0 million in aggregate principal amount of Senior Notes, $200.0 million in aggregate principal amount of Senior Subordinated Notes, and a new Senior Secured Credit Facility that includes a tranche B term loan of

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

10. LONG-TERM DEBT (Continued)

$800.0 million and revolving credit facilities of up to $375.0 million. We also assumed debt from Royal Group s China operations of $28.2 million.

Interest on the Senior Notes is payable on April 15 and October 15 beginning April 15, 2007 at an annual rate of 9.5 percent. Interest on the Senior Subordinated Notes is payable on April 15 and October 15 beginning April 15, 2007 at an annual rate of 10.75 percent. The Senior Notes and Senior Subordinated Notes were issued at discounts to yield of 9.625 percent and 11.0 percent, respectively, under the effective interest method. The Senior Notes and Senior Subordinated Notes contain certain restrictive covenants including restrictions on debt incurrence, granting of liens, dividends, acquisitions and investments.

On October 3, 2006, we entered into the Senior Secured Credit Facility provided by a syndicate of banks and other financial institutions. The Senior Secured Credit Facility replaced our previously existing senior credit facility, for which we wrote-off $3.0 million in deferred loan costs during 2006. The Senior Secured Credit Facility provides for a term loan of $800.0 million, all of which was borrowed on October 3, 2006. The Senior Secured Credit Facility also provides for $375.0 million of revolving credit facilities. The commitments under the revolving credit facilities expire on October 3, 2011. The term loan facility will mature on October 3, 2013. The term loan will amortize at a rate of 1.00 percent of the original principal amount thereafter per annum on a quarterly basis for the first six years of the term of the loan, with the balance paid in full from equal quarterly installments in the seventh year. Based on this amortization schedule, the term loan will be reduced by approximately $6.5 million in 2007.

The interest rate for the Senior Secured Credit Facility is the adjusted U.S. London Interbank Offered Rate or LIBOR, plus 2.0 percent per annum or the administrative agent bank s annual base rate (ABR) plus 1.0 percent per annum, and following delivery of financial information for the quarter ended December 31, 2006, the applicable margin for the loans under the revolving credit facilities will be set at a per annum rate determined by reference to a pricing grid based on our total leverage ratio. At our discretion, the Senior Secured Credit Facility provides for us to borrow using the U.S. Prime Rate. The facility commitment fee at December 31, 2006 was 0.5% of the unused amount. For 2006, 2005 and 2004 the average interest rates for the revolving credit facility were 4.47 percent, 4.58 percent and 4.56 percent, respectively. The interest rate for the revolving credit facility as of December 31, 2006, was 9.25 percent. The interest rate on the term loan as of December 31, 2006, was 7.35 percent.

The Senior Secured Credit Facility contains customary affirmative and negative covenants, including restrictions on debt incurrence, granting of liens, dividends, acquisitions and investments. In addition, the Senior Secured Credit Facility contains financial covenants requiring compliance with both a minimum interest coverage ratio and a maximum leverage ratio. On March 14, 2007, we entered into an amendment to our Senior Secured Credit Facility, which temporarily waives our interest coverage ratio for the year ended December 31, 2006, and through May 31, 2007. These covenants are subject to customary exceptions and step-downs. The Senior Secured Credit Facility also contains customary events of default. Debt under the Senior Secured Credit Facility is secured by substantially all of our assets, including real and personal property, inventory, accounts receivable and other intangibles.

From October 3, 2006 to December 31, 2006, we were able to reduce the tranche B term loan by $151.6 million. Debt was further reduced by the sale of RBS China, which resulted in the elimination of the RBS China debt of $28.2 million. These reductions in debt were slightly offset by an increase in borrowings under the revolving credit facilities of $25.9 million.

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

10. LONG-TERM DEBT (Continued)

Under the Senior Secured Credit Facility and the indentures related to the 7.125 percent, 9.50 percent and 10.75 percent notes, we are subject to certain restrictive covenants, the most significant of which require us to maintain certain financial ratios and limit our ability to pay dividends, make investments, grant liens, sell our assets and engage in certain other activities. Giving effect to the waiver described above, we were in compliance with all necessary financial covenants under our Senior Secured Credit Facility at December 31, 2006.

Scheduled maturities of long-term debt outstanding at December 31, 2006, are $6.6 million in 2007, $6.4 million in 2008, $23.4 million in 2009, $6.3 million in 2010, $32.1 million in 2011, and $1,434.6 million thereafter. However, of our long-term debt, $25.9 million was additionally classified as current as a result of our ability and intent to repay such amount of our revolving credit facility in the next year. Cash payments for interest during the years ended December 31, 2006, 2005, and 2004, were $23.1 million, $19.1 million, and $21.6 million, respectively.

11. COMMITMENTS AND CONTINGENCIES

Leases. We lease railcars, storage terminals, computer equipment, automobiles and warehouse and office space under non-cancelable operating leases with varying maturities through the year 2014. Future minimum payments under these non-cancelable operating leases as of December 31, 2006, are $27.4 million in 2007, $19.1 million in 2008, $15.1 million in 2009, $9.3 million in 2010, $5.4 million in 2011 and $11.2 million thereafter. Total lease expense was approximately $26.2 million, $23.1 million and $19.3 million for the years ended December 31, 2006, 2005 and 2004, respectively. Lease expense is recognized on a straight line basis.

Letters of Credit. As of December 31, 2006 and 2005, we had outstanding letters of credit totaling approximately $99.9 million and $25.6 million, respectively. Of these amounts, $99.9 million and $7.8 million reduced the availability under our revolving credit facility as of December 31, 2006 and 2005, respectively. These letters of credit, which have terms from one month to one year, provide additional security for the payment of a loan and financial assurance to states for environmental closure, post-closure costs, and potential third party liability awards.

Purchase Commitments. We have long-term raw material purchase agreements with variable and fixed payments through 2014. The variable component of future payments is based on market prices of commodities used in production. Under these contracts we were required to prepay a certain portion of the fixed and determinable costs, of which we have capitalized $107.2 million and $112.9 million as of December 31, 2006 and 2005, respectively, in the accompanying consolidated balance sheets. We amortize these advances based on the physical delivery from the manufacturer to our plants. We analyze the recoverability of these prepaid manufacturing costs based on the creditworthiness of the manufacturer and the performance under the terms of the contract. In addition, these purchase commitments are not in excess of market prices and are designed to assure a source of supply and are not in excess of our normal manufacturing requirements. We have historically taken physical delivery of the raw materials under these purchase agreements and intend to take physical delivery over the contract term. Therefore, we account for them under the normal purchase provisions of SFAS No. 133 and its amendments. The aggregate amounts of the fixed and determinable portion of the required payments under the agreements are $11.9 million for 2007 and $5.4 million for the year 2008. The aggregate amount of payments made under

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

the agreements for purchases in 2006, 2005 and 2004 were $190.0 million, $235.5 million and $108.3 million, respectively.

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

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

In August 2004 and January and February 2005, the USEPA conducted environmental investigations of our manufacturing facilities in Aberdeen, Mississippi and Plaquemine, Louisiana, respectively. The USEPA has informed us that it has identified several areas of concern, and has indicated that such areas of concern may, in its view, constitute violations of applicable requirements, thus warranting monetary penalties and possible injunctive relief. In lieu of pursuing such relief through its traditional enforcement process, the USEPA has proposed that the parties enter into negotiations in an effort to reach a global settlement of the areas of concern and that such a global settlement cover our manufacturing facilities at Lake Charles, Louisiana and Oklahoma City, Oklahoma as well. During the second quarter of 2006, we were informed by USEPA that its regional office responsible for Oklahoma and Louisiana desired to pursue resolution of these matters on a separate track from the regional office responsible for Mississippi.

It is likely that any settlement, if achieved, will result in the imposition of monetary penalties, capital expenditures for installation of environmental controls, and/or other relief. We do not know the total cost of monetary penalties, environmental projects, or other relief that would be imposed in any settlement or order. While we expect that such costs will exceed $100,000, we do not expect that such costs will have a material effect on our financial position, results of operations, or cash flows.

On October 3, 2006, we acquired Royal Group, which is subject to several pending investigations and pending and threatened lawsuits, including the following:

Royal Group is currently under investigation by the Royal Canadian Mounted Police (the RCMP), the Ontario Securities Commission (the OSC) and the SEC regarding its prior public disclosures, including financial and accounting matters. The OSC is also conducting a regulatory investigation of Royal Group, principally in connection with certain related party transactions between Royal Group and Royal St. Kitts Beach Resort Limited, but also in connection with trading in Royal Group s shares.

In October 2005, Royal Group advised the OSC staff, the RCMP and the SEC staff of emails and documents authored by a former finance employee of Royal Group that relate to certain financial

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

accounting and disclosure matters. Royal Group understands that the SEC staff made a referral to the U.S. Department of Justice, Criminal Division, in connection with those documents.

Royal Group and certain of its former officers and former Board members are named defendants in two shareholder class action lawsuits pending in the United States District Court for the Southern District of New York (instituted in December 2004) and the Ontario Superior Court of Justice (instituted February 24, 2006) brought by Royal Group shareholders and additional suits have been threatened. These cases have been consolidated as *In re Royal Group Technologies Securities Litigation*. These class actions include allegations of non-disclosure of certain related party transactions and were amended in connection with the matters described in the preceding paragraph.

Royal Group has entered into a stipulation and agreement of settlement with the lead and representative plaintiffs in the consolidated cases after a mediation process among the parties. It is a condition to the settlement that the U.S. and Canadian actions be settled contemporaneously. Under the terms of the global settlement, subject to the approval of both the U.S. and Canadian courts, Royal Group will make a payment of C$9 million in cash or ($7.7 million based on the exchange rate as of December 31, 2006), which will be paid into escrow within 5 business days of the execution of the stipulation and agreement. The settlement remains conditioned, among other things, on receipt of all required court approvals. Although the settlement agreement has been entered into among the parties, there can be no assurance at this time that all conditions to the agreement will be satisfied. The settlement contains no admission of wrongdoing by Royal Group or any of the other defendants.

Further, Royal Group is the subject of a criminal investigation being conducted by the Antitrust Division of the U.S. Department of Justice (the Department of Justice), which focuses on alleged price fixing in the window coverings industry. Royal Group has also been contacted by counsel for a group of civil plaintiffs (direct purchasers) who have indicated their intention to commence litigation against the company pertaining to this matter.

There can be no assurance that the damages, liabilities and costs we will incur in respect of each of the foregoing investigations, lawsuits or claims related to Royal Group will not exceed the amounts anticipated by us in respect thereof, and to the extent they do, our financial condition, results of operations and cash flows may be adversely affected in a material respect.

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

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

In October 2004 the USEPA notified us that we have been identified as a potentially responsible party (PRP) for a Superfund site in Galveston, Texas. The site is a former industrial waste recycling, treatment and disposal facility. Over one thousand PRPs have been identified by the USEPA. We contributed a relatively small proportion of the total amount of waste shipped to the site. In the notice, the USEPA

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

informed us of the agency s willingness to settle with us and other PRPs that contributed relatively small proportions of the total quantity of waste shipped to the Superfund site. We believe that we can reach a settlement with the USEPA in this matter, and although there can be no assurance, we expect the amount of the settlement to be less than $100,000.

Subsequent to the close of the fourth quarter of 2006, we voluntarily disclosed possible noncompliance with certain provisions of the Toxic Substances Control Act (TSCA) to USEPA. While the penalties, if any, for such noncompliance may exceed $100,000, we believe our voluntary disclosures will qualify us for substantially reduced penalties. In any event, we do not expect that any penalties will have a material effect on our financial position, results of operations, or cash flows.

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

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

CONDEA Vista has agreed to retain responsibility for substantially all environmental liabilities and remediation activity relating to the vinyls business we acquired from it, including the Lake Charles, Louisiana VCM facility. For all matters of environmental contamination that were currently known at the time of acquisition (November 1999), we may make a claim for indemnification at any time; for environmental matters that were then unknown, we must generally make claims for indemnification before November 12, 2009. Further, our agreement with CONDEA Vista provides that CONDEA Vista will be subject to the presumption that all later discovered on-site environmental contamination arose before closing, and is therefore CONDEA Vista s responsibility; this presumption may only be rebutted if CONDEA Vista can show that we caused the environmental contamination by a major, unaddressed release.

At our Lake Charles VCM facility, CONDEA Vista will continue to conduct the ongoing remediation at its expense until November 12, 2009. After November 12, 2009, we will be responsible for remediation

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

costs up to about $150,000 of expense per year, as well as costs in any year in excess of this annual amount up to an aggregate one-time amount of about $2.3 million. In the first quarter of 2004, as part of our ongoing assessment of our environmental contingencies, we determined these remediation costs to be probable and estimable and therefore recorded a $2.7 million accrual to other non-current liabilities.

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

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

Although we are not aware of any significant environmental liabilities associated with Royal Group, should any arise, we would have no third party indemnities for environmental liabilities including liabilities resulting from Royal Group s operations prior to our acquisition of the company.

12. RELATED PARTY TRANSACTIONS

Joint Ventures. Our joint ventures are accounted for using the equity method. We own a 50 percent interest in PHH Monomers, LLC (PHH), a manufacturing joint venture with PPG Industries, Inc., (PPG), to produce VCM. We receive 50 percent of the VCM production of PHH and consume the majority of the production to produce vinyl resins. Pursuant to the terms of the operating agreement and the manufacturing and services agreement, PPG is the operator of PHH. We purchase our share of the raw materials and pay 50 percent of the processing costs for the right to 50 percent of the VCM production of PHH. PHH has capacity to produce 1.15 billion pounds. The chlorine needs of the PHH facility are supplied via pipeline, under a long-term market price based contract with PPG. PHH is an integral part of our manufacturing operations. At December 31, 2006 and 2005, our investment in PHH was $15.5 million and $18.6 million, respectively, which represents 50 percent of the property, plant and equipment of the PHH production facility, and is included in other long-term assets.

In connection with our acquisition of Royal Group, we acquired investments in building product joint ventures, with an estimated fair value of $12.1 million at December 31, 2006. We own a 50 percent interest in several manufacturing joint ventures in the window and door profiles business. We sell raw materials to these joint ventures at market prices. Sales of materials to these joint ventures from October 3, 2006 to December 31, 2006 were approximately $6.5 million. As of December 31, 2006 our net investment in these manufacturing joint ventures was $6.1 million.

At December 31, 2006 and 2005 we had $6.7 million and $4.7 million, respectively, of liabilities due to these related parties included in accounts payable. At December 31, 2006 and 2005 we had $2.2 million and $5.1 million, respectively, of receivables due from these related parties included in accounts receivable.

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

12. RELATED PARTY TRANSACTIONS (Continued)

Our equity in earnings (losses) from these joint ventures was not material for the years ended December 31, 2006, 2005, and 2004.

13. STOCKHOLDERS EQUITY

Each outstanding share of common stock is accompanied by a preferred stock purchase right, which entitles the holder to purchase from us 1/100th of a share of Junior Participating Preferred Stock for $90.00, subject to adjustment in certain circumstances. The rights expire on April 27, 2010, and may be redeemed by us for $0.01 per right until the earlier to occur of (1) the tenth calendar day following announcement by us that a person or group (other than us or certain related persons) beneficially owns 15 percent or more of our outstanding shares of common stock (an Acquiring Person) or (2) the tenth business day following the commencement of a tender or exchange offer that would result in a person or group becoming an Acquiring Person (the earliest of any such date, the Distribution Date). The rights first become exercisable on the Distribution Date. Subject to certain conditions, if a person or group becomes an Acquiring Person, each right will entitle its holder (other than the Acquiring Person) to receive, upon exercise, common stock having a market value equal to two times the right s exercise price.

In addition, subject to certain conditions, if we are involved in a merger or certain other business combination transactions, each right will entitle its holder (other than an Acquiring Person) to receive, upon exercise, common stock of the acquiring company having a market value equal to two times the right s exercise price.

In connection with the stock purchase rights described above, 15.0 million of the authorized shares of preferred stock are designated Junior Participating Preferred Stock. If issued, the Junior Participating Preferred Stock would be entitled, subject to the prior rights of any senior preferred stock, to a dividend equal to the greater of $0.01 or that which is paid on the common shares.

14. STOCK-BASED COMPENSATION

Under the 1998 and 2002 Equity and Performance Incentive Plans, we are authorized by our stockholders to grant awards for up to 4,500,000 shares of our common stock to employees and non-employee directors. As of December 31, 2006, we had various types of share-based payment arrangements with our employees and non-employee directors including restricted and deferred stock units, stock options and the employee stock purchase plan, which are described below.

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

14. STOCK-BASED COMPENSATION (Continued)

Stock Options. Option prices are equal to the closing price of our common stock on the day prior to the date of grant. Options vest over a one or three-year period from the date of grant and expire no more than ten years after the date of grant. A summary of stock option activity under all plans during 2006, is as follows:

	Year ended December 31, 2006			
	Shares	Weighted Average Remaining Contractual Terms	Weighted Average Exercise Price	Aggregate Intrinsic Value (In thousands)
Outstanding on January 1, 2006	**1,632,608**		**$ 30.47**	
Granted	**351,996**		**28.91**	
Exercised	**(18,366)**		**21.40**	
Forfeited	**(15,748)**		**43.46**	
Expired	**(3,667)**		**47.44**	
Outstanding on December 31, 2006	**1,946,823**	**5.9 years**	**$ 30.14**	**$ 581**
Vested or expected to vest at December 31, 2006	**1,935,421**	**5.9 years**	**$ 30.08**	**581**
Exercisable on December 31, 2006	**1,307,059**	**4.7 years**	**$ 27.23**	**$ 581**
Shares available on December 31, 2006 for options that may be granted	**757,423**			

The weighted-average grant date fair value of options granted during 2006, 2005 and 2004 was $10.21, $19.35 and $12.09, respectively. The total intrinsic value of options exercised during the years ended December 31, 2006, 2005 and 2004 was $0.1 million, $3.1 million and $14.9 million, respectively. The intrinsic value is calculated as the difference between the market value on exercise date and the exercise price of the shares. The following table summarizes information about stock options at December 31, 2006:

	Outstanding			Exercisable	
Range of Exercise Prices	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Shares	Weighted Average Exercise Price
$15.44 to $25.00	**606,078**	**$ 19.58**	**5.04 years**	**606,078**	**$ 19.58**
$25.01 to $35.00	**875,545**	**28.48**	**6.74 years**	**429,904**	**28.41**
$35.01 to $45.00	**163,000**	**35.25**	**1.11 years**	**163,000**	**35.25**
$45.01 to $53.38	**302,200**	**53.38**	**8.07 years**	**108,077**	**53.38**
Total $15.44 to $53.38	**1,946,823**	**$ 30.14**	**5.94 years**	**1,307,059**	**$ 27.23**

Employee Stock Purchase Plan. Our stockholders have approved a qualified employee stock purchase plan (ESPP), which allows employees to acquire shares of common stock through payroll deductions over a twelve-month period. The purchase price is equal to 85 percent of the fair market value of the common stock on either the first or last day of the subscription period, whichever is lower. Purchases under the plan are limited to 15 percent of an employee s base salary. In connection with this stock purchase plan, 62,072 shares of common stock are reserved for future issuances. Under this plan 169,368, 125,075 and 131,198 shares of common stock were issued at $16.54, $25.95 and $24.71 per share during 2006, 2005 and 2004, respectively. The ESPP was discontinued in 2007.

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

14. STOCK-BASED COMPENSATION (Continued)

Stock-based Compensation related to Stock Option and ESPP Plan. The fair value of stock options granted and the ESPP shares for 2006 has been estimated as of the date of grant using the Black-Scholes option-pricing model. The use of a valuation model requires us to make certain assumptions with respect to selected model inputs. We use the historical volatility for our stock, as we believe that historical volatility is more representative than implied volatility. The expected life of the awards is based on historical and other economic data trended into the future. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of our awards. The dividend yield assumption is based on our history and expectation of dividend payouts. The weighted average fair value derived from the Black-Scholes model and the related weighted-average assumptions used in the model are as follows:

	Year ended December 31, 2006	
	ESPP	**Stock option grants**
Assumptions		
Risk-free interest rate	4.85 %	4.82 %
Expected life	1.0 year	4.5 years
Expected volatility	44 %	39 %
Expected dividend yield	1.05 %	1.11 %

Compensation expense, net of tax, for 2006 from stock options and ESPP shares was approximately $4.4 million. No compensation expense was recognized for our stock option plans or our ESPP for 2005 and 2004.

Restricted and Deferred Stock. During 2006, 2005 and 2004, we granted 136,902, 116,375 and 113,625 shares of restricted stock units, restricted stock and deferred stock units, respectively, to our key employees and non-employee directors. The restricted stock units and restricted stock vest over a three-year period and the deferred stock units vest over a one-year period. During 2006, 2005 and 2004, 35,457, 33,550 and 21,166 shares of restricted stock, respectively, were surrendered in satisfaction of required minimum tax withholding obligations. A summary of restricted and deferred stock units and related changes therein is as follows:

	Year ended December 31, 2006			
	Shares	**Weighted Average Remaining Contractual Terms**	**Weighted Average Grant Date Fair Value**	**Aggregate Intrinsic Value (In thousands)**
Outstanding on January 1, 2006	**225,441**		**$ 38.99**	
Granted	**136,902**		**28.70**	
Vested	**(105,378)**		**33.34**	
Forfeited	**(2,055)**		**39.09**	
Outstanding on December 31, 2006	**254,910**	**1.5 years**	**35.80**	**$ 4,922**
Vested or expected to vest at December 31, 2006	**250,221**	**1.5 years**	**35.73**	**$ 4,832**

The weighted average grant date fair value per share of restricted and deferred stock units and restricted stock granted during 2006, 2005 and 2004 was $28.70, $52.81 and $27.11, respectively, which is

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

14. STOCK-BASED COMPENSATION (Continued)

based on the stock price as of the date of grant. The total intrinsic value of restricted and deferred stock units that vested during the years ended December 31, 2006, 2005 and 2004 was $3.1 million, $5.2 million and $1.9 million, respectively.

Compensation expense, net of tax, for 2006, 2005 and 2004, from restricted stock units, restricted stock and deferred stock units was $3.6 million, $2.6 million and $2.0 million, respectively.

Nonvested shares. A summary of the status of the nonvested share activity under all plans is as follows:

	Year ended December 31, 2006	
	Shares	Weighted Average Grant Date Fair Value
Nonvested on January 1, 2006	**837,092**	**$ 21.65**
Granted	**488,898**	**15.39**
Vested	**(421,846)**	**19.23**
Forfeited and expired	**(21,470)**	**43.72**
Nonvested on December 31, 2006	**882,674**	**$ 19.41**

As of December 31, 2006, we had approximately $6.9 million of total unrecognized compensation cost related to nonvested share-based compensation, which we will record in our statements of income over a weighted average recognition period of less than two years. The total fair value of shares vested during 2006, 2005 and 2004, was $8.1 million $5.5 million and $4.5 million, respectively.

15. EMPLOYEE RETIREMENT PLANS

We have certain employee retirement plans that cover substantially all of our employees. The expense incurred for these plans was approximately $8.5 million, $7.8 million, and $10.6 million for the years ended December 31, 2006, 2005, and 2004, respectively. These plans are discussed below.

Most employees are covered by defined contribution plans under which we make contributions to individual employee accounts. We had 401k expense of approximately $5.8 million, 4.6 million, and $4.6 million for the years ended December 31, 2006, 2005, and 2004, respectively. In addition, about one third of our employees are covered by defined benefit plans for which the benefits are based on years of service and the employee s compensation or for which the benefit is a specific monthly amount for each year of service. We use a measurement date of December 31 for our pension and other postretirement plans. We sponsor a postretirement health care plan, which covers employees at our manufacturing facility in Sarnia, Ontario.

SFAS No. 158*, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans.* On September 29, 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, which amends SFAS No. 87 and SFAS No. 106 to require recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. Under SFAS No. 158, gains and losses, prior service costs and credits, and any remaining transition amounts under SFAS No. 87 and SFAS No. 106 that have not yet been recognized through net periodic benefit cost are to be recognized in accumulated other comprehensive income, net of tax effects, until they

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

are amortized as a component of net periodic cost. SFAS No. 158 is effective for publicly held companies for fiscal years ending after December 15, 2006. The incremental effect of adopting SFAS No. 158 is summarized below:

In Thousands	Before Adopting SFAS No. 158	Adjustments to Adopt SFAS No. 158	After Adopting SFAS No. 158
Assets			
Noncurrent benefit asset	**$ 23,223**	**$ (4,990)**	**$ 18,233**
Intangible asset	**22**	**(22)**	
Deferred tax asset	**(99)**	**(1,528)**	**(1,627)**
Liabilities			
Current benefit liability		**438**	**438**
Noncurrent benefit liability	**9,035**	**(1,333)**	**7,702**
Shareholders equity			
Accumulated other comprehensive loss	**$ (170)**	**$ (2,589)**	**$ (2,759)**

Benefit Obligations. The reconciliation of the beginning and ending balances of the projected benefit obligation for defined benefit plans is as follows:

In Thousands	Pension Benefits 2006	2005	Other Postretirement Benefits 2006
Change in Benefit Obligation			
Benefit obligation, beginning of year	**$ 93,764**	$ 83,871	**$**
Service cost	**3,798**	3,396	**22**
Interest cost	**5,689**	5,292	**34**
Actuarial (gain)/loss	**(6,235)**	3,413	
Exchange rate loss	**(266)**		**(104)**
Gross benefits paid	**(2,480)**	(2,208)	**(5)**
Plan amendments	**1,022**		
Acquisitions	**21,925**		**2,719**
Benefit obligation, end of year	**$ 117,217**	$ 93,764	**$ 2,666**
Accumulated benefit obligation, end of 2006 and 2005	**$ 106,612**	$ 83,931	

The accumulated benefit obligation is defined as the actuarial present value of pension benefits (whether vested or unvested) attributed to employee service rendered before December 31, 2006 and 2005, respectively, and based on employee service and compensation prior to the applicable date. The accumulated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation levels. Other postretirement benefits represent benefit plans that were assumed in connection with the Royal Group acquisition on October 3, 2006. Prior to October 3, 2006, we did not have any other postretirement plans.

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

Plan Assets. The reconciliation of the beginning and ending balances of the fair value of plan assets were as follows:

In Thousands	Pension Benefits 2006	2005	Other Postretirement Benefits 2006
Change in Plan Assets			
Fair value of plan assets, beginning of year	**$ 94,448**	$ 84,811	**$**
Actual return on plan assets	**13,276**	6,748	
Exchange rate loss	**(221)**	N/A	
Employer contribution	**730**	5,097	**5**
Gross benefits paid	**(2,480)**	(2,208)	**(5)**
Acquisitions	**24,222**		
Fair value of plan assets, end of year	**$ 129,975**	$ 94,448	**$**

Funded Status. The funded status of the plans, reconciled to the amounts reported on the balance sheets follows:

In Thousands	Pension Benefits December 31, 2006	2005	Other Postretirement Benefits December 31, 2006
Funded status, end of year:			
Fair value of plan assets	**$ 129,975**	$ 94,448	**$**
Benefit obligations	**117,217**	93,764	**2,665**
Funded status	**12,758**	684	**(2,665)**
Unrecognized net actuarial (gain)/loss		12,917	
Unrecognized prior service (credit)/cost		2,114	
Unrecognized transition (asset)/obligation		295	
Amount recognized, end of year	**$ 12,758**	$ 16,010	**$ (2,665)**
Amounts recognized in the balance sheets consist of:			
Noncurrent asset	**$ 18,233**	N/A	**$**
Current liability	**(419)**	N/A	**(18)**
Noncurrent liability	**(5,056)**	N/A	**(2,646)**
Prepaid benefit cost		21,041	
Accrued benefit cost		(5,030)	
Additional minimum liability		(357)	
Intangible asset		44	
Accumulated other comprehensive income		312	
	$ 12,758	$ 16,010	**$ (2,665)**
Amounts recognized in accumulated other comprehensive income consist of:			
Net actuarial loss	**$ 1,552**		**$**
Prior service cost	**2,753**		
Transition obligation	**81**		
	$ 4,386	N/A	**$**

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

Net Periodic Cost. The amount of net periodic benefit cost recognized includes the following components:

In Thousands	Pension Benefit Year Ended December 31, 2006	2005	2004	Other Postretirement Benefits Year Ended December 31, 2006
Components of periodic benefit cost:				
Service cost	**$ 3,798**	$ 3,396	$ 3,021	**$ 21**
Interest cost	**5,689**	5,292	4,852	**34**
Expected return on assets	**(8,187)**	(7,133)	(5,535)	
Amortization of:				
Transition obligation	**214**	214	223	
Prior service cost	**382**	305	278	
Actuarial gain	**66**	333	34	
Curtailment charge			68	
Settlement credit	**(18)**		(287)	
Total net periodic benefit cost	**$ 1,944**	$ 2,407	$ 2,654	**$ 55**

Additional Information. At December 31, 2006 and 2005 the projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with a projected benefit obligation in excess of plan assets, and pension plans with an accumulated benefit obligation in excess of plan assets, were as follows:

In Thousands	Accumulated Benefit Obligation in Excess of the Fair Value of Plan Assets December 31, 2006	2005	Projected Benefit Obligation in Excess of the Fair Value of Plan Assets December 31, 2006	2005
End of year:				
Projected benefit obligation	**$ 4,453**	$ 4,790	**$ 11,317**	$ 4,790
Accumulated benefit obligation	**4,453**	4,790	**4,453**	4,790
Fair value of plan assets			**5,842**	

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

Assumptions. Our major assumptions used to determine benefit obligations for our pension plans are presented as weighted-averages:

In Thousands	Pension Benefits 2006	2005	Other Postretirement Benefits 2006
Weighted-average assumptions used todetermine benefit obligation at end of year:			
Discount rate	**5.94 %**	5.75 %	**5.00 %**
Rate of compensation increase	**4.17 %**	4.26 %	**3.75 %**
Health care cost trend rate			
Initial rate			**11.00 %**
Ultimate rate			**6.00 %**
Years to ultimate			**5 years**
Effect of one-percentage-point change in assumed health care cost trend rate on postretirement obligation			
Increase			**231**
Decrease			**(223)**

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

	Year Ended December 31, 2006	2005	2004
Discount rate	**5.75 %**	6.00 %	6.25 %
Expected return on plan assets	**8.23 %**	8.50 %	8.75 %
Rate of compensation increase	**4.24 %**	4.31 %	4.31 %

The expected long-term rate of return on plan assets assumption is based on historical and projected rates of return for current and planned asset classes in the plan s investment portfolio. Projected rates of return for each of the plan s projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns and for the effect of expenses paid from plan assets.

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

The expected long-term rate of return on plan assets was changed from 8.25 percent to 8.00 percent as of December 31, 2006. The asset allocations for our pension plans at the end of 2006 and 2005 and the target allocation for 2006, by asset category, are as follows:

Asset Category	Target Allocation 2007		Percentage of Plan Assets at Year End 2006		2005	
Equity Securities	70 - 80	%	76.6	%	76.8	%
Debt Securities	20 - 25	%	20.5	%	17.3	%
Real Estate	0 - 5	%	1.4	%	0.5	%
Other	0 - 5	%	1.5	%	5.4	%
	100	%	100.0	%	100.0	%

Equity securities do not include any of our common stock at the end of 2006 and 2005.

Our investment committee establishes investment policies and strategies and regularly monitors the performance of the plan s funds. Our investment strategy with respect to pension assets is to invest the assets in accordance with the prudent investor guidelines contained in the Employee Retirement Income Security Act of 1974, and fiduciary standards. Our policy on funding is to contribute an amount within the range of the minimum required and the maximum tax-deductible contribution.

Employer contributions include direct benefits paid under all pension plants of $0.5 million and $0.6 million from employer assets in 2006 and 2005.

Expected Cash Flows. We expect to make contributions to the plan trust for all pension plans of $0.9 million during 2007. Our expected contribution in the form of direct benefit payments for 2007 is approximately $0.5 million for all pension plans. Expected benefit payments for all pension plans are as follows:

In Thousands	Pension Benefits	Other Postretirement Benefits
Expected benefit payments:		
2007	$ 3,082	$ 18
2008	3,522	25
2009	4,024	29
2010	4,564	34
2011	5,130	39
2012-2016	35,814	318

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

16. INCOME TAXES

The provision for (benefit from) income taxes consists of the following:

In Thousands	Year Ended December 31, 2006	2005	2004
Current income taxes:			
Federal	**$ 36,516**	$ 52,829	$ 49,556
State	**4,088**	9,093	6,742
Foreign	**2,211**		
Total current	**42,815**	61,922	56,298
Deferred income taxes:			
Federal	**8**	(9,560)	4,034
State	**(954)**	(5,507)	536
Foreign	**(12,193)**		
Total deferred	**(13,139)**	(15,067)	4,570
Provision for income taxes	**$ 29,676**	$ 46,855	$ 60,868

Income tax expense attributable to U.S. income of $116,426 and foreign loss of ($38,158) before income taxes differs from the amounts computed by applying the U.S. statutory federal income tax rate to earnings before income taxes as follows:

In Thousands	Year Ended December 31, 2006	2005	2004
Statutory federal income tax rate	**35.0 %**	35.0 %	35.0 %
State and local income taxes, net of federal benefit	**2.6**	2.8	2.8
Difference between U.S. and foreign tax rates	**1.0**		
Extraterritorial income exclusion	**(1.1)**	(1.0)	(1.0)
Manufacturing deduction	**(1.9)**	(1.2)	
Non-deductible compensation	**0.6**	0.4	0.7
Percentage depletion	**(0.7)**	(0.4)	(0.4)
State legislation changes		(1.5)	
Tax loss on disposition of subsidiary	**(3.1)**		
Income tax contingencies	**2.8**		
Other, net	**2.6**	(1.2)	(0.6)
Effective income tax rate	**37.8 %**	32.9 %	36.5 %

Cash payments for income taxes during 2006, 2005, and 2004 were $65.2 million, $51.8 million and $61.3 million, respectively.

Our overall effective income tax rate increased from 32.9 percent for the year ended December 31, 2005, to 37.8 percent for the year ended December 31, 2006, primarily due to differences between U.S. and foreign tax rates and an increase in tax contingencies related to the Royal Group acquisition offset by the tax benefit on the disposition of a subsidiary and the benefit of the domestic manufacturing deduction.

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

16. INCOME TAXES (Continued)

Our net deferred tax liability consisted of the following major items:

In Thousands	**December 31, 2006**	**2005**
Deferred tax assets:		
Receivables	**$ 1,782**	$ 914
Inventories	**228**	1,673
Vacation	**1,658**	1,685
Currency translation adjustment	**3,745**	
Foreign currency loss	**8,817**	
Net operating loss carryforwards	**70,344**	
Employee compensation	**8,486**	
Accrued liabilities	**14,453**	
Tax credits	**7,053**	3,550
Spare parts inventories	**1,739**	1,764
Environmental	**1,436**	1,700
Other	**795**	2,646
Valuation allowance	**(7,728)**	
Total deferred tax assets	**112,808**	13,932
Deferred tax liability:		
Property, plant and equipment	**(132,217)**	(98,279)
Intangible assets	**(34,461)**	(13,047)
Pension	**(3,942)**	(4,558)
Other		(916)
Total deferred tax liability	**(170,620)**	(116,800)
Net deferred tax liability	**$ (57,812)**	$ (102,868)

As of December 31, 2006, the Company had U.S. federal, state and foreign net operating loss (NOL) carryovers. The Company s foreign NOLs principally relate to its operations in Canada and reside in both federal and provincial tax jurisdictions. The jurisdictional amount of NOLs as of December 31, 2006, and the years in which they will expire in varying amounts are as follows (In thousands):

Jurisdiction	**NOL amount**	**Year of expiration**
U.S. federal	$ 86,790	2010 - 2026
U.S. state	3,956	2018 - 2026
Canada federal	130,884	2010 - 2026
Canada provincial	Up to $133,471	2011 - 2026

The U.S. federal and state NOL carryforwards as of December 31, 2006, principally relate to NOLs acquired in connection with the acquisition of Royal Group on October 3, 2006. In connection with this acquisition, we placed a valuation allowance of $3.9 million on certain U.S. state NOL carryovers. Should these deferred tax assets be realized in the future, the resulting tax benefit will be allocated to reduce

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

16. INCOME TAXES (Continued)

goodwill and other noncurrent intangibles assets. Our ability to reduce future taxable income through the utilization of the NOLs acquired is subject to the change in ownership restrictions under Internal Revenue Code Section 382. We do not expect our U.S. federal and state NOLs to expire, notwithstanding the change in ownership restrictions.

As of December 31, 2006, we had U.S. federal, state and foreign tax credit carryovers. These tax credits expire over varying amounts and periods as follows (in thousands):

Jurisdiction	Tax credit amount	Year of expiration
U.S. federal foreign tax credit	$ 774	2016
U.S. state	3,066	No expiration
Foreign investment tax credit	3,213	2008 - 2016

The foreign investment tax credit includes approximately $3.1 million of foreign investment tax credits that were recorded as a result of the company s acquisition of Royal Group Technologies, Ltd. The balance of the foreign investment tax credits were earned during the period from the acquisition date through December 31, 2006.

Under APB Opinion No. 23, Accounting for Income Taxes Special Areas, we are permanently reinvested with respect to earnings of our foreign subsidiaries. Accordingly, we record a deferred tax liability with respect to the tax effect of repatriating the earnings of our foreign subsidiaries. As a result of losses with respect to our foreign jurisdictions, we did not record any additional deferred tax liability with respect to the earnings of our foreign subsidiaries for the period ending on December 31, 2006.

We accrue for tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. The tax contingency reserve is adjusted for, among other things, changes in facts and circumstances, receipt of tax assessments, expiration of statute of limitations, interest and settlements and additional uncertainties. As of December 31, 2006 and 2005, we had tax contingency reserves of $88.3 million and $3.8 million, respectively. The $84.5 million increase in the tax contingency reserve in 2006 is primarily due to the acquisition of Royal Group, and more specifically the Quebec Trust retroactive legislation enacted during 2006.

The Quebec National Assembly recently passed into law Bill 15 to amend the Quebec Taxation Act and other legislative provision. Bill 15 includes retroactive changes to the Quebec Taxation Act that will have the impact of creating Quebec taxable income for Royal Group for prior years. Over the last several years, Royal Group established structures that used a Quebec Trust to minimize overall tax liabilities in consultation with their tax advisors. Bill 15 has eliminated the ability to use the Quebec Trust structure. We continue to negotiate with the Province of Quebec to reach a settlement on this issue and have challenged their assessments. As of December 31, 2006, we have reserved $35.8 million related to the Quebec Trust. A change in our assumptions used to develop our tax contingency reserve could significantly impact our effective tax rate and our results of operations.

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

17. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative financial instruments primarily to reduce our exposure to adverse fluctuations in interest rates, foreign currency exchange rates and commodity prices. When entered into, we formally designate and document the financial instrument as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. We formally assess, both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument s change in fair value is immediately recognized in earnings. Virtually all of our derivatives are straightforward over-the-counter instruments with liquid markets. We do not enter into derivative financial instruments for trading purposes.

The fair values of derivatives used to hedge or modify our risks fluctuate over time. We do not view these fair value amounts in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transaction or other exposures. The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates or other financial indices.

We recognize all derivative instruments as either assets or liabilities in our consolidated balance sheets at fair value. The accounting for changes in fair value of a derivative instrument depend on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. At the inception of the hedging relationship, we must designate the instrument as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation, depending on the exposure being hedged.

Raw Materials and Natural Gas Price Risk Management. The availability and price of our raw materials and natural gas are subject to fluctuations due to unpredictable factors in global supply and demand. To reduce price risk caused by market fluctuations, we may or may not enter into derivative contracts, such as swaps, futures and option contracts with financial counter-parties, which are generally less than one year in duration. We designate any natural gas or raw material derivatives as cash flow hedges. Our outstanding contracts are valued at market with the offset going to other comprehensive income, net of applicable income taxes and any hedge ineffectiveness. Any gain or loss is recognized in cost of goods sold in the same period or periods during which the hedged transaction affects earnings. At December 31, 2006 and 2005, we had no raw material or natural gas forward swap contracts outstanding.

Interest Rate Risk Management. We maintain floating rate debt, which exposes us to changes in interest rates. Our policy is to manage our interest rate risk through the use of a combination of fixed and floating rate instruments and interest rate swap agreements. We designate interest rate derivatives as cash flow hedges. At December 31, 2006, we had interest rate swaps as a liability of $1.1 million designated as cash flow hedges of underlying floating rate debt obligations. These hedges had various expiration dates in 2008 through 2009. At December 31, 2005, we had no interest rate swap agreements outstanding. The effective portion of the mark-to-market effects of our cash flow hedge instruments was recorded in AOCI until the underlying interest payment affect income. The unrealized amounts in AOCI will fluctuate based

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

17. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

on changes in the fair value of open contracts at the end of each reporting period. During 2006, 2005, and 2004, the impact on the consolidated financial statements due to interest rate hedge ineffectiveness was immaterial.

Foreign Currency Risk Management. Our international operations require active participation in foreign exchange markets. We may or may not enter into foreign exchange forward contracts and options, and cross-currency swaps to hedge various currency exposures or create desired exposures. At December 31, 2006 and 2005, we had no forward contracts, options and cross-currency swaps to buy, sell or exchange foreign currencies.

Royal Group Canadian Dollar Hedge. In connection with our Royal Group acquisition, we entered into forward contracts for $1.5 billion Canadian dollars to hedge the purchase price of the acquisition, which was in Canadian dollars. For the year ended December 31, 2006, we realized losses of $20.8 million related to these Canadian dollar forward contracts. Settlement of these Canadian dollar forward contracts took place during the three months ended December 31, 2006. At December 31, 2006, we had no outstanding Canadian dollar forward contracts.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses long-term debt, and interest rate swap contracts. The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair value because of the short-term maturity of such instruments. The carrying amounts of our senior credit facility and other financial instruments approximate the fair value due to the floating market interest rates to which the respective agreements are subject. The fair values of our 7.125 percent senior notes, our 9.5 percent senior notes, our 10.75 percent senior subordinated notes and our interest rate swap contracts were, based on quoted market interest rates that are or were currently available to us for issuance of long-term debt and interest rate swap contracts with similar terms and remaining maturities.

The following is a summary of the carrying values and estimated fair values of our fixed-rate long-term debt and interest rate swaps as of December 31, 2006 and 2005:

In Thousands	December 31, 2006 Carrying Amount	Fair Value	2005 Carrying Amount	Fair Value
Long-term debt:				
7.125% senior notes due 2013	**$ 100,000**	**$ 90,000**	$ 100,000	$ 102,625
9.5% senior notes due 2014	**496,591**	**490,000**		
10.75% senior subordinated notes due 2016	**197,028**	**191,500**		
Derivative instruments:				
Interest rate swap contracts	**(1,148)**	**(1,148)**		

19. SEGMENT INFORMATION

In connection with the acquisition of Royal Group, we reassessed how we internally report our financial information. We have identified four reportable segments through which we conduct our

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

19. SEGMENT INFORMATION (Continued)

operating activities: (i) chlorovinyls; (ii) window and door profiles and mouldings products; (iii) outdoor building products; and (iv) aromatics. These four segments reflect the organization used by our management for purposes of allocating resources, and assessing performance. The chlorovinyls segment is a highly integrated chain of products, which includes chlorine, caustic soda, VCM and vinyl resins and compounds. Through the Royal Group acquisition, we acquired vinyl resin, vinyl compound and compound additives manufacturing facilities. These manufacturing operations are very similar to our legacy chlorovinyl manufacturing facilities. Therefore, we have aggregated these manufacturing operations with our chlorovinyls reportable segment. In addition, we acquired manufacturing facilities for vinyl-based building and home improvement products. Our vinyl-based building and home improvement products are marketed under the Royal Group brand names, and are managed within two reportable segments, window and door profiles and mouldings products; and outdoor building products, which includes the following products: siding, pipe and pipe fittings, deck, fence and rail products, and outdoor storage buildings. The aromatics segment is also integrated and includes cumene and the co-products phenol and acetone.

Earnings of our segments exclude interest income and expense, unallocated corporate expenses and general plant services, provision for income taxes, costs of our receivables securitization program and income and expense items reflected as other income (expense) on our consolidated statements of income. Transactions between operating segments are valued at market-based prices. The revenues generated by these transfers are provided in the following table.

Identifiable assets consist of plant and equipment used in the operations of the segment as well as inventory, receivables and other assets directly related to the segment. Unallocated and other assets include cash, certain corporate receivables, data processing equipment and prepaid pension costs. The accounting polices of the reportable segments are the same as those described in note 2, Summary of Significant Accounting Polices.

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

19. SEGMENT INFORMATION (Continued)

Segments

In Thousands	Chlorovinyls	Aromatics	Window and Door Profiles and Mouldings Products	Outdoor Building Products	Unallocated and Other	Total
Year Ended December 31, 2006:						
Net sales	**$ 1,642,782**	**$ 559,116**	**$ 117,029**	**$ 108,916**	**$**	**$ 2,427,843**
Intersegment revenues	**60,760**		**1,786**	**1,914**		**64,460**
Operating income (loss)	**238,792**	**(17,230)**	**(5,946)**	**(17,186)**	**(42,309)**	**156,121**
Loss from discontinued operations, net of a tax						
Depreciation and amortization	**57,630**	**7,083**	**11,222**	**4,479**	**4,605**	**85,019**
Capital expenditures	**70,315**	**2,545**	**13,772**	**1,631**	**2,507**	**90,770**
Total assets	**1,221,540**	**96,527**	**713,231**	**311,858**	**115,071**	**2,458,227**
Year Ended December 31, 2005:						
Net sales	$ 1,592,749	$ 680,970	$	$	$	$ 2,273,719
Operating income (loss)	202,555	(10,453)			(29,337)(1)	162,765
Depreciation and amortization	52,584	6,967			3,550	63,101
Capital expenditures	28,311	2,635			1,098	32,044
Total assets	807,873	99,386			93,694	1,000,953
Year Ended December 31, 2004:						
Net sales	$ 1,452,404	$ 753,835	$	$	$	$ 2,206,239
Operating income (loss)	165,910	50,556			(26,043)(1)	190,423
Depreciation and amortization	51,345	7,408			5,801	64,554
Capital expenditures	18,326	3,138			1,977	23,441
Total assets	725,712	135,105			103,013	963,830

(1) Includes shared services, administrative and legal expenses, along with the cost of our receivables securitization program.

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Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

19. SEGMENT INFORMATION (Continued)

Geographic Areas

Sales are attributable to geographic areas based on customer location and are as follows for the years ended December 31, 2006, 2005, and 2004.

In Thousands	Year Ended December 31, 2006	2005	2004
Net sales:			
United States	**$ 2,081,671**	$ 1,939,832	$ 1,822,822
Foreign	**346,172**	333,887	383,417
Total	**$ 2,427,843**	$ 2,273,719	$ 2,206,239

Export sales were approximately 16 percent, 15 percent and 17 percent of our sales for the years ended December 31, 2006, 2005 and 2004, respectively. Based on destination, the principal international markets we serve are Europe, Canada, and South and Central America. Net sales to Canada were 9 percent of total sales in 2006. No sales to any one country were greater than five percent of total net sales in 2005 and 2004.

Long-lived assets are attributable to geographic areas based on asset location. Long-lived assets by geographic area as of December 31, 2006 and 2005 are as follows.

In Thousands	December 31, 2006	2005
Long-lived assets:		
United States	**$ 591,518**	$ 401,412
Foreign	**431,486**	
Total	**$ 1,023,004**	$ 401,412

Net assets are attributable to geographic areas based on the location of the legal entity. Net assets by geographic locations are as follows:

In Thousands	December 31, 2006	2005
Net assets:		
United States	**$ 432,632**	**$ 363,012**
Foreign	**(39,109)**	
Total	**$ 393,523**	**$ 363,012**

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

20. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table sets forth certain quarterly financial data for the periods indicated:

In Thousands, Except Per Share Data*	First Quarter	Second Quarter (1)	Third Quarter (2)	Fourth Quarter (3)
2006				
Net sales	**$ 567,873**	**$ 602,159**	**$ 576,288**	**$ 681,538**
Gross margin	**78,988**	**92,569**	**62,886**	**40,827**
Operating income (loss)	**58,775**	**75,352**	**44,187**	**(22,194)**
Income (loss) from continuing operations	**33,681**	**39,390**	**22,661**	**(43,930)**
Loss from discontinued operations				**(3,263)**
Net income (loss)	**33,681**	**39,390**	**22,661**	**(47,193)**
Basic earnings (loss) per share:				
Income (loss) from continuing operations	**0.99**	**1.16**	**0.66**	**(1.28)**
Loss from discontinued operations				**(0.10)**
Net income (loss)	**0.99**	**1.16**	**0.66**	**(1.38)**
Diluted earnings (loss) per share				
Income (loss) from continuing operations	**0.98**	**1.15**	**0.66**	**(1.28)**
Loss from discontinued operations				**(0.10)**
Net income (loss)	**0.98**	**1.15**	**0.66**	**(1.38)**
Dividends per common share	**0.08**	**0.08**	**0.08**	**0.08**
2005				
Net sales	$ 645,409	$ 584,162	$ 525,223	$ 518,925
Gross margin	82,310	35,109	60,339	46,451
Operating income	66,460	20,494	43,422	32,390
Net income	38,743	10,169	27,933	18,658
Basic earnings per share	1.15	0.30	0.82	0.55
Diluted earnings per share	1.13	0.30	0.82	0.55
Dividends per common share	0.08	0.08	0.08	0.08

* Totaling quarterly data for 2006 and 2005 may differ from the annual audited consolidated income statements due to rounding.

(1) The second quarter of 2005 includes an unfavorable impact of $0.50 per diluted share due to both our planned and unplanned plant outages. Also included is a loss on foreign exchange forward contracts used to effectively hedge the purchase price of Royal Group of $11.4 million. See note 18.

(2) The third quarter of 2005 includes favorable income tax adjustments of $0.09 per diluted share as well as a negative impact of $0.24 per diluted share related to the operational disruptions caused by Hurricanes Katrina and Rita. Also included is a loss on foreign exchange forward contracts used to effectively hedge the purchase price of Royal Group of $4.5 million. See note 18.

(3) The fourth quarter of 2006 includes the acquisition of Royal Group, which was accounted for under the purchase method. Therefore, the results of Royal Group from the date of acquisition, October 3, 2006, through December 31, 2006 are included. In addition, we recorded additional costs of sales of $18.0 million as a result of valuing Royal Group s inventory at fair value as of the date of acquisition in compliance with generally accepted accounting standards related to business combinations. Also

Georgia Gulf Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

20. QUARTERLY FINANCIAL DATA (UNAUDITED) (Continued)

included is a loss on foreign exchange forward contracts used to effectively hedge the purchase price of Royal Group of $5.0 million. See note 18. The Fourth Quarter of 2005 includes an unfavorable impact of approximately $0.22 per diluted share due to operational disruptions caused by Hurricane Rita.

21. SUBSEQUENT EVENTS

In January 2007, we sold the operations of our captive trucking business to a large transportation services company. Following this sale the purchaser has agreed to provide us with transportation agency and management services for our building products operations. Also in January 2007, we sold certain assets of our U.S. window coverings operations and in February of 2007, we sold certain assets of our Canadian window coverings operations, as well as certain assets of our Mexican window coverings operations. Also in February 2007, we sold our interest in our Colombian operations. In March 2007, we sold most of the remaining Canadian and U.S. window coverings operations and sold seven of our other Canadian facilities, four of which we have agreed to leaseback on a long-term basis.

On March 14, 2007 we amended our Senior Secured Credit Facility to temporarily waive compliance with our interest coverage ratio for the year ended December 31, 2006, through May 31, 2007. See Note 10 for further discussion regarding the amendment and waiver.

22. SUPPLEMENTAL GUARANTOR INFORMATION

Our payment obligations under the indentures for our unsecured 7.125 percent senior notes, our unsecured 9.5 percent senior notes, and our unsecured 10.75 percent senior subordinated notes are guaranteed by Great River Oil & Gas Corporation, Georgia Gulf Lake Charles, LLC, Georgia Gulf Chemicals & Vinyls, LLC, and Royal Plastics Group (USA) Limited and its subsidiaries, some of our wholly owned subsidiaries (the Guarantor Subsidiaries). The guarantees are full, unconditional and joint and several. Georgia Gulf is in essence a holding company for all of its wholly ***and majority*** owned subsidiaries. The following condensed consolidating balance sheets, statements of income and statements of cash flows present the combined financial statements of the parent company, and the combined financial statements of our Guarantor Subsidiaries and our remaining subsidiaries (the Non-Guarantor Subsidiaries). Separate financial statements of the Guarantor Subsidiaries are not presented because we have determined that they would not be material to investors.

Provisions in our senior credit facility limit payment of dividends, distributions, loans and advances to us by our subsidiaries.

Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Balance Sheet Information
December 31, 2006

In Thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$	$ 11,400	$ (1,759)	$	$ 9,641
Receivables, net	122,899	155,380	237,883	(278,666)	237,496
Inventories		196,231	146,432	(3,258)	339,405
Prepaid expenses	20,298	(3,363)	11,396	1,246	29,577
Income tax receivable	6,762	30,381			37,143
Deferred income taxes		10,204	20,460		30,664
Current assets held-for-sale and of discontinued operations		3,269	7,811		11,080
Total current assets	149,959	403,502	422,223	(280,678)	695,006
Property, plant and equipment, net	166	591,352	431,486		1,023,004
Long-term receivables-affiliates	571,527			(571,527)	
Goodwill		202,131	174,993		377,124
Intangibles, net		42,555	45,806		88,361
Other assets, net	37,565	148,917	22,056	(3,725)	204,813
Non-current assets held-for-sale			69,919		69,919
Investment in subsidiaries	1,253,533	164,864		(1,418,397)	
Total assets	$ 2,012,750	$ 1,553,321	$ 1,166,483	$ (2,274,327)	$ 2,458,227
Current portion of long-term debt	$ 32,400	$	$ 95	$	$ 32,495
Accounts payable	89,565	389,326	31,908	(295,517)	215,282
Interest payable	21,246		44		21,290
Accrued compensation	726	19,577	16,915		37,218
Income tax reserve		(7,874)	79,361	16,851	88,338
Other accrued liabilities	464	26,497	70,467		97,428
Total current liabilities	144,401	427,526	198,790	(278,666)	492,051
Long-term debt	1,465,639				1,465,639
Long-term payables affiliates		3,724	571,526	(575,250)	
Deferred income taxes		83,118	5,358		88,476
Other non-current liabilities	9,186	8,846	506		18,538
Total liabilities	1,619,226	523,214	766,180	(853,916)	2,064,704
Stockholders equity:					
Preferred stock					
Common stock	344	451,490	304,943	(756,433)	344
Additional paid-in capital	94,046	60,374	107,349	(167,723)	94,046
Retained earnings	324,008	517,873	(11,252)	(506,622)	324,007
Accumulated other comprehensive loss, net of tax	(24,874)	370	(10,737)	10,367	(24,874)
Total stockholders equity	393,524	1,030,107	390,303	(1,420,411)	393,523
Total liabilities and stockholders equity	$ 2,012,750	$ 1,553,321	$ 1,166,483	$ (2,274,327)	$ 2,458,227

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Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Balance Sheet Information
December 31, 2005

In Thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$	$ 14,296	$ 2	$	$ 14,298
Receivables, net	139,077	53,571	134,081	(208,536)	118,193
Inventories		195,628			195,628
Prepaid expenses		11,202	34		11,236
Income tax receivable		2,070			2,070
Deferred income taxes		5,091			5,091
Total current assets	139,077	281,858	134,117	(208,536)	346,516
Property, plant and equipment, net	173	401,239			401,412
Goodwill		77,720			77,720
Other assets, net	15,657	159,648			175,305
Investment in subsidiaries	419,400	116,230		(535,630)	
Total assets	$ 574,307	$ 1,036,695	$ 134,117	$ (744,166)	$ 1,000,953
Current portion of long-term debt	$	$ 49,300	$	$	$ 49,300
Accounts payable	73,258	319,561	17,896	(208,536)	202,179
Interest payable	597	629			1,226
Accrued compensation		14,986			14,986
Income tax reserve		3,780			3,780
Other accrued liabilities		12,715			12,715
Total current liabilities	73,855	400,971	17,896	(208,536)	284,186
Long-term debt	129,339	100,000			229,339
Deferred income taxes		107,959			107,959
Other non-current liabilities	8,101	8,356			16,457
Total liabilities	211,295	617,286	17,896	(208,536)	637,941
Stockholders equity:					
Preferred stock					
Common stock	342	5	19	(24)	342
Additional paid-in capital	81,782	7,940	107,349	(115,289)	81,782
Unearned compensation	(5,377)				(5,377)
Retained earnings	286,265	411,464	8,853	(420,317)	286,265
Total stockholders equity	363,012	419,409	116,221	(535,630)	363,012
Total liabilities and stockholders equity	$ 574,307	$ 1,036,695	$ 134,117	$ (744,166)	$ 1,000,953

Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Statement of Income Information
Year Ended December 31, 2006

In Thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 12,352	$ 2,271,553	$ 182,367	$ (38,429)	$ 2,427,843
Operating costs and expenses:					
Cost of sales		2,001,271	158,730	(7,430)	2,152,571
Selling, general and administrative	26,919	78,229	41,744	(27,741)	119,151
Total operating costs and expenses	26,919	2,079,500	200,474	(35,171)	2,271,722
Operating income (loss)	(14,567)	192,053	(18,107)	(3,258)	156,121
Other income (expense):					
Interest expense, net	(29,333)	(12,183)	(9,763)		(51,279)
Loss on foreign exchange derivative instruments and other	(21,543)				(21,543)
Equity in income of subsidiaries	89,239	(22,117)		(67,122)	
Income before income taxes	23,796	157,753	(27,870)	(70,380)	83,299
Provision for income taxes	(24,743)	66,853	(9,368)	(1,245)	31,497
Income from continuing operations	48,539	90,900	(18,502)	(69,135)	51,802
Loss from discontinued operations, net of tax		(1,661)	(1,602)		(3,263)
Net income	$ 48,539	$ 89,239	$ (20,104)	$ (69,135)	$ 48,539

Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Statement of Income Information
Year Ended December 31, 2005

In Thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 12,491	$ 2,273,718	$ 12,174	$ (24,664)	$ 2,273,719
Operating costs and expenses:					
Cost of sales		2,049,510			2,049,510
Selling, general and administrative	18,685	59,114	8,309	(24,664)	61,444
Total operating costs and expenses	18,685	2,108,624	8,309	(24,664)	2,110,954
Operating income (loss)	(6,194)	165,094	3,865		162,765
Other income (expense):					
Interest expense, net	(3,440)	(16,967)			(20,407)
Equity in income of subsidiaries	101,966	3,876		(105,842)	
Income before income taxes	92,332	152,003	3,865	(105,842)	142,358
Provision for income taxes	(3,171)	50,026			46,855
Net income	$ 95,503	$ 101,977	$ 3,865	$ (105,842)	$ 95,503

Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Statement of Income Information
Year Ended December 31, 2004

In Thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 10,830	$ 2,206,239	$ 10,066	$ (20,896)	$ 2,206,239
Operating costs and expenses:					
Cost of sales		1,955,095			1,955,095
Selling, general and administrative	19,481	56,993	5,143	(20,896)	60,721
Total operating costs and expenses	19,481	2,012,088	5,143	(20,896)	2,015,816
Operating income (loss)	(8,651)	194,151	4,923		190,423
Other income (expense):					
Interest expense, net	(5,617)	(18,046)			(23,663)
Equity in income of subsidiaries	114,953	4,935		(119,888)	
Income before income taxes	100,685	181,040	4,923	(119,888)	166,760
Provision for income taxes	(5,207)	66,075			60,868
Net income	$ 105,892	$ 114,965	$ 4,923	$ (119,888)	$ 105,892

Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Statement of Cash Flows Information
Year Ended December 31, 2006

In Thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by continuing operations	$ 22,108	$ 193,822	$ 16,207	$ 22,589	$ 254,726
Net cash (used in) provided by discontinued operations		8,141	(3,648)	(8,642)	(4,149)
Net cash provided by operating activities	22,108	201,963	12,559	13,947	250,577
Investing activities:					
Capital expenditures	(28)	(82,709)	(8,033)		(90,770)
Acquisition of Royal Group and related payments, net of cash acquired		5,529	(1,098,156)	17,231	(1,075,396)
Settlement of foreign exchange contracts	(20,843)				(20,843)
Contributions and advances to affiliates	(957,816)	(67,418)	5,567	1,019,667	
Proceeds from sale of property, plant and equipment		22,234	83,858		106,092
Net cash used in investing activities	(978,687)	(122,364)	(1,016,764)	1,036,898	(1,080,917)
Financing activities:					
Net change in revolving line of credit	(123,400)				(123,400)
Proceeds from notes payable to affiliates	(366,485)	66,805	1,351,161	(1,051,481)	
Long-term debt proceeds	1,493,543				1,493,543
Long-term debt payments	(2,249)	(149,300)	(345,825)		(497,374)
Fees paid for bridge financing	(2,325)				(2,325)
Fees paid to issue debt	(35,103)		(2,917)		(38,020)
Proceeds from issuance of common stock	3,194				3,194
Tax benefits from employee share-based exercises	1,432				1,432
Purchase and retirement of common stock	(1,032)				(1,032)
Dividends	(10,996)				(10,996)
Net cash provided by (used in) financing activities	956,579	(82,495)	1,002,419	(1,051,481)	825,022
Effect of exchange rate changes on cash and cash equivalents			25	636	661
Net change in cash and cash equivalents		(2,896)	(1,761)		(4,657)
Cash and cash equivalents at beginning of year		14,296	2		14,298
Cash and cash equivalents at end of year	$	$ 11,400	$ (1,759)	$	$ 9,641

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Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Statement of Cash Flows Information
Year Ended December 31, 2005

In Thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 106,653	$ (35,505)	$ (3)	$	$ 71,145
Investing activities:					
Capital expenditures		(32,044)			(32,044)
Proceeds from sale of property, plant and equipment		1,362			1,362
Net cash used in investing activities		(30,682)			(30,682)
Financing activities:					
Net change in revolving line of credit		59,400			59,400
Long-term debt payments	(100,000)				(100,000)
Proceeds from issuance of common stock	5,943				5,943
Purchase and retirement of common stock	(1,681)				(1,681)
Dividends	(10,915)				(10,915)
Net cash (used in) provided by financing activities	(106,653)	59,400			(47,253)
Net change in cash and cash equivalents		(6,787)	(3)		(6,790)
Cash and cash equivalents at beginning of year		21,082	6		21,088
Cash and cash equivalents at end of year	$	$ 14,295	$ 3	$	$ 14,298

Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Statement of Cash Flows Information
Year Ended December 31, 2004

In Thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ (16,525)	$ 152,496	$ (4)	$	$ 135,967
Investing activities:					
Capital expenditures	(172)	(23,269)			(23,441)
Financing activities:					
Net change in revolving line of credit		89,900			89,900
Long-term debt payments		(200,000)			(200,000)
Proceeds from issuance of common stock	27,948				27,948
Purchase and retirement of common stock	(602)				(602)
Dividends	(10,649)				(10,649)
Net cash provided by (used in) financing activities	16,697	(110,100)			(93,403)
Net change in cash and cash equivalents		19,127	(4)		19,123
Cash and cash equivalents at beginning of year		1,955	10		1,965
Cash and cash equivalents at end of year	$	$ 21,082	$ 6	$	$ 21,088

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

(In Thousands)

Year Ended December 31,	Balance at beginning of period	Charged to costs and expenses, net of recoveries	Charged to other accounts	Deductions (2)	Balance at end of period
2004					
Allowance for doubtful accounts	$ 4,450	$ 294	$ (2,065)	$ (805)	$ 1,874
2005					
Allowance for doubtful accounts	$ 1,874	$ 1,482	$	$ (899)	$ 2,457
Note receivable reserve	$ 2,065 (3)	$ (2,065)(3)	$	$	$
2006					
Allowance for doubtful accounts	**$ 2,457**	**$ 327**	**$ 14,241 (1)**	**(878)**	**$ 16,147**

NOTES:

(1) Represents the incremental allowance for doubtful accounts receivable for Royal Group as of December 31, 2006.

(2) Accounts receivable balances written off during the period, net of recoveries.

(3) Portion of allowance for doubtful accounts transferred to note receivable reserve upon conversion of related receivables to a note receivable. Note receivable was repaid in full in the fourth quarter of 2005.

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Report of Management on Internal Control Over Financial Reporting

To the Stockholders of Georgia Gulf Corporation:

Management of the company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The company s internal control over financial reporting is designed to provide reasonable assurance to the company s management and board of directors regarding the preparation and fair presentation of published financial statements.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls over financial reporting will prevent all errors and all fraud. Internal controls, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls are met. Because of the inherent limitations of internal controls, internal controls over financial reporting may not prevent or detect all misstatements or fraud. Therefore, no evaluation of internal control can provide absolute assurance that all control issues or instances of fraud will be prevented or detected.

Management assessed the effectiveness of the company s internal control over financial reporting as of December 31, 2006. Management has excluded from the scope of its assessment of internal control over financial reporting as of December 31, 2006, Royal Group Technologies Limited and their subsidiaries (Royal Group), which businesses were acquired on October 3, 2006 and whose financial statements reflect total assets constituting approximately 62.8 percent and revenues of approximately 9.5 percent of the company s related consolidated financial statements as of and for the year ended December 31, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control Integrated Framework. Based on this assessment, the company s management concluded that, as of December 31, 2006, the company s internal control over financial reporting was effective based on those criteria.

Deloitte & Touche LLP, the company s independent registered public accounting firm, which also audited the company s consolidated financial statements included in this annual report on Form 10-K, has issued an attestation report on management s assessment of the company s internal control over financial reporting, which is included below.

/s/ EDWARD A. SCHMITT	/s/ JAMES T. MATTHEWS
Edward A. Schmitt	James T. Matthews
President and Chief Executive Officer	Vice President Finance, Treasurer and Chief Financial Officer

March 30, 2007

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Georgia Gulf Corporation
Atlanta, Georgia

We have audited management s assessment, included in the accompanying *Report of Management on Internal Control Over Financial Reporting*, that Georgia Gulf Corporation and subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described *in Report of Management on Internal Control Over Financial Reporting*, management excluded from its assessment the internal control over financial reporting of Royal Group Technologies Limited which was acquired on October 3, 2006 and whose financial statements constitute -25.3 percent and 62.8 percent of net and total assets, respectively, 9.5 percent of revenues, and 40.2 percent of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2006. Accordingly, our audit did not include the internal control over financial reporting at Royal Group Technologies Limited. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management s assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2006 of the Company and our report dated March 30, 2007, expressed an unqualified opinion on those financial statements and financial statement schedule and included an explanatory paragraph regarding the Company s adoption of statement of Financial Accounting Standards No. 123 (R), *Share-Based Payments*, on January 1, 2006, and the recognition and related disclosure provisions of statement of Financial Accounting Standard No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans*, on December 31, 2006.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
March 30, 2007

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

(In thousands)	**March 31, 2007**
ASSETS	
Cash and cash equivalents	**$ 20,037**
Receivables, net of allowance for doubtful accounts of $20,193	**275,018**
Inventories	**357,108**
Prepaid expenses	**36,849**
Income tax receivable	**14,601**
Deferred income taxes	**33,513**
Current assets held-for-sale and of discontinued operations	**1,926**
Total current assets	**739,052**
Property, plant and equipment, net	**1,035,883**
Goodwill	**378,216**
Intangible assets, net of accumulated amortization of $2,043	**89,850**
Other assets, net	**198,560**
Non-current assets held for sale	**10,188**
Total assets	**$ 2,451,749**
LIABILITIES AND STOCKHOLDERS EQUITY	
Current portion of long-term debt	**$ 64,017**
Accounts payable	**273,839**
Interest payable	**39,338**
Accrued compensation	**27,575**
Liability for unrecognized tax benefits	**96,660**
Other accrued liabilities	**68,481**
Total current liabilities	**569,910**
Long-term debt	**1,411,727**
Deferred income taxes	**80,734**
Other non-current liabilities	**23,205**
Total liabilities	**2,085,576**
Commitments and contingencies (note 10)	
Stockholders equity (note 2)	**366,173**
Total liabilities and stockholders equity	**$ 2,451,749**
Common shares outstanding	**34,396**

See accompanying notes to condensed consolidated financial statements.

GEORGIA GULF CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31,	
(In thousands, except per share data)	**2007**	**2006**
Net sales	**$ 713,696**	$ 567,873
Operating costs and expenses:		
Cost of sales	**663,557**	488,885
Selling, general and administrative expenses	**58,116**	20,213
Total operating costs and expenses	**721,673**	509,098
Operating (loss) income	**(7,977)**	58,775
Interest expense, net	**(32,075)**	(4,337)
Foreign exchange gain	**2,831**	
(Loss) income from continuing operations before income taxes	**(37,221)**	54,438
(Benefit) provision for income taxes	**(10,711)**	20,757
(Loss) income from continuing operations	**(26,510)**	33,681
Loss from discontinued operations, net of tax benefit of $2,228	**(8,061)**	
Net (loss) income	**$ (34,571)**	$ 33,681
(Loss) earnings per share:		
Basic:		
(Loss) income from continuing operations	**$ (0.77)**	$ 0.99
Loss from discontinued operations	**(0.24)**	
Net (loss) income	**$ (1.01)**	$ 0.99
Diluted:		
(Loss) income from continuing operations	**$ (0.77)**	$ 0.98
Loss from discontinued operations	**(0.24)**	
Net (loss) income	**$ (1.01)**	$ 0.98
Weighted average common shares:		
Basic	**34,309**	34,048
Diluted	**34,309**	34,376

See accompanying notes to condensed consolidated financial statements.

GEORGIA GULF CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	**Three Months Ended March 31, 2007**	**2006**
Cash flows from operating activities:		
Net (loss) income	**$ (34,571)**	$ 33,681
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	**35,427**	15,889
Foreign exchange gain	**(2,714)**	
Deferred income taxes	**(14,628)**	(4,209)
Excess tax benefit related to stock plans	**(770)**	(302)
Stock based compensation	**5,990**	5,571
Change in operating assets, liabilities and other	**10,483**	16,810
Net cash (used in) provided by operating activities from continuing operations	**(783)**	67,440
Net cash provided by operating activities from discontinued operations	**398**	
Net cash (used in) provided by operating activities	**(385)**	67,440
Cash flows from investing activities:		
Capital expenditures	**(28,046)**	(11,963)
Proceeds from sale of property, plant and equipment, assets held-for sale and discontinued operations	**65,802**	
Net cash provided by (used in) investing activities	**37,756**	(11,963)
Cash flows from financing activities:		
Net change in revolving line of credit	**26,928**	(54,300)
Repayment of long-term debt	**(146,137)**	
Proceeds from sale-leaseback financing	**95,865**	
Proceeds from issuance of common stock		10
Purchases and retirement of common stock	**(684)**	(1,032)
Tax benefits from employee share-based exercises		1,421
Dividends paid	**(2,779)**	(2,748)
Net cash used in financing activities	**(26,807)**	(56,649)
Effect of exchange rate changes on cash and cash equivalents	**(168)**	
Net change in cash and cash equivalents	**10,396**	(1,172)
Cash and cash equivalents at beginning of period	**9,641**	14,298
Cash and cash equivalents at end of period	**$ 20,037**	$ 13,126

See accompanying notes to condensed consolidated financial statements.

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

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The accompanying condensed consolidated financial statements do reflect all the adjustments that, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows for the interim periods reported. Such adjustments are of a normal, recurring nature. Our operating results for the three month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2006. There have been no material changes in the significant accounting policies followed by us during the period ended March 31, 2007 other than the adoption of FIN 48 as defined and discussed in note 2 below.

2. NEW ACCOUNTING PRONOUNCEMENTS

In February 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 155, *Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140*. SFAS No. 155 simplifies accounting for certain hybrid instruments currently governed by SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, by allowing fair value remeasurement of hybrid instruments that contain an embedded derivative that otherwise would require bifurcation. SFAS No. 155 also eliminates the guidance in SFAS No. 133 Implementation Issue No. D1, *Application of Statement 133 to Beneficial Interests in Securitized Financial Assets*, which provides that such beneficial interests are not subject to SFAS No. 133. SFAS No. 155 amends SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities a Replacement of FASB Statement No. 125*, by eliminating the restriction on passive derivative instruments that a qualifying special-purpose entity may hold. This statement is effective for financial instruments acquired or issued by us after December 31, 2006. The adoption of SFAS No. 155 on January 1, 2007 did not have a material impact on our consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140*. SFAS No. 156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in specific situations. Additionally, the servicing asset or servicing liability must be initially measured at fair value, if practicable. SFAS No. 156 is effective for fiscal years beginning after September 15, 2006. The adoption of SFAS No. 156 on January 1, 2007 did not have a material impact on our consolidated financial statements.

Effective January 1, 2007, we adopted FASB Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) which clarifies the accounting for uncertainty in income taxes recognized in an enterprises financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes.* FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

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

2. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

Under the interpretation, we recognize the financial statement effects of a tax position when it is more likely than not, based upon the technical merits, that the position will be sustained upon examination. Conversely, we derecognize a previously recognized tax position in the first period in which it is no longer more likely than not that the tax position would be sustained upon examination. A tax position that meets the more likely than not recognition threshold shall initially and subsequently be measured as the largest amount of tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement with a taxing authority. We also recognize interest expense by applying a rate of interest to the difference between the tax position recognized in accordance with the interpretation and the amount previously taken or expected to be taken in a tax return. We classify interest expense and related penalties, if any, with respect to our uncertain tax positions in the provision for income taxes.

As of January 1, 2007, we have recognized a liability for our unrecognized income tax benefits of approximately $87.8 million. Of this amount, approximately $22.7 million relates to accrued interest and penalties. If recognized, $83.1 million of this amount would affect our effective tax rate. The implementation of FIN 48 resulted in an increase in the liability for unrecognized tax benefits of approximately $0.9 million, a decrease in retained earnings as of January 1, 2007 of approximately $0.8 million and a decrease in goodwill of approximately $0.1 million. For the three months ended March 31, 2007, we recognized approximately $2.1 million of additional interest expense in our income tax provision related to our liability for unrecognized income tax benefits.

During the next twelve months, it is reasonably possible that uncertain tax positions in Canada and the U.S. will be recognized as a result of the lapse of the applicable statute of limitations or through settlements with the taxing authorities. The statute of limitations with respect to certain open tax years in Canada have lapsed after March 31, 2007. Accordingly, we will recognize approximately $2.5 million of previously unrecognized tax benefits during the three month period ending June 30, 2007. It is reasonably possible that the statute of limitations will lapse over the next twelve months with respect to other unrecognized tax benefits in various taxing jurisdictions in the United States. As of March 31, 2007, the aggregate amount of these tax positions was approximately $1.0 million.

In addition, we continue to negotiate with the province of Quebec to reach a settlement with respect to its assessments resulting from the retroactive application of tax law changes promulgated by Bill 15, which amended the Quebec Taxation Act and other legislative provisions. Over the last several years, Royal Group, which we acquired in the fourth quarter of 2006 (as discussed in Note 3 below), in connection with its tax advisors, established tax structures that used a Quebec Trust to minimize its overall tax liabilities in Canada. Bill 15 has eliminated the ability to use the Quebec Trust structure on a retroactive basis. As of March 31, 2007, we have recorded a liability for an unrecognized tax benefit of $37.0 million related to the Quebec Trust matter. It is reasonably possible that we will reach a settlement related to the Quebec Trust matter during the next twelve months. Although we are unable to estimate the final settlement amount at this time, it could differ significantly from the amount recorded as of March 31, 2007.

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

2. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The following table describes the tax years that remain subject to examination by major tax jurisdiction:

Tax Jurisdiction	Open Years
United States	2002 - 2006
Canada	2002 - 2006
Various States	2000 - 2006

Our overall effective income tax rate from continuing operations decreased from 38 percent for the three months ended March 31, 2006 to 29 percent for the three months ended March 31, 2007 due primarily to interest accrued on the liability for our unrecognized income tax benefits, the income tax rate differential between tax jurisdictions and the effect of income tax credits.

In June 2006, the FASB ratified its consensus on Emerging Issues Task Force (EITF) Issue No. 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)*. The scope of EITF Issue No. 06-3 includes any tax assessed by a governmental authority that is imposed concurrent with or subsequent to a revenue-producing transaction between a seller and a customer. For taxes within the scope of this issue that are significant in amount, the consensus requires the following disclosures: (i) the accounting policy elected for these taxes and (ii) the gross amount of the taxes reflected in the income statement on an interim and annual basis for all periods presented. The disclosure of those taxes can be done on an aggregate basis. The consensus is effective for interim and annual periods beginning after December 15, 2006. The adoption of EITF No. 06-3 did not have an impact on our consolidated financial statements as our policy is to record sales taxes collected on a net basis.

On September 7, 2006, the EITF reached a consensus on EITF Issue No. 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*, which requires the application of the provisions of SFAS No. 106*, Employers Accounting for Postretirement Benefits Other Than Pensions,* to endorsement split-dollar life insurance arrangements. SFAS No. 106 would require us to recognize a liability for the discounted future benefit obligation that we will have to pay upon the death of the underlying insured employee. An endorsement-type arrangement generally exists when we own and control all incidents of ownership of the underlying policies. EITF Issue No. 06-4 is effective for fiscal years beginning after December 15, 2007. We do not expect the adoption of EITF Issue No. 06-4 to have a material impact on our consolidated financial statements.

On September 7, 2006 the EITF reached a consensus on EITF Issue No. 06-5 *Accounting for Purchases of Life Insurance Determining the Amount That Could Be Realized in Accordance With FASB Technical Bulletin No. 85-4*, which concluded that a policyholder should consider other amounts included in the contractual terms of an insurance policy, in addition to cash surrender value, when determining the asset value that could be realized under the terms of the insurance contract. These other amounts include: non-discretionary amounts (those items that are not contingent as of the balance sheet date) and time-based amounts (i.e., deferred acquisition costs tax) that would be accounted for on a present-value basis. Items that are probable to be received and/or subject to the insurance company s intent to pay would not be included in asset value. In addition, the amount that could be realized should be determined on an individual policy or certificate level. Amounts that would be realized upon surrender of all policies or certificates would not be included when measuring assets. EITF Issue No. 06-5 is effective for fiscal years

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

2. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

beginning after December 15, 2006 and would be recognized through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption for all life insurance contracts currently held. The adoption of EITF Issue No. 06-5 on January 1, 2007 did not have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for our fiscal year beginning January 1, 2008. We do not expect the adoption of SFAS No. 157 to have a material impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted provided the entity also elects to apply the provisions of SFAS No. 157. We have not decided if we will adopt SFAS No. 159 early or if we will choose to measure any eligible financial assets and liabilities at fair value.

On April 30, 2007, the FASB issued FASB Staff Position (FSP) FIN 39-1 an *Amendment to FASB Interpretation No. 39 Offsetting of Amounts Related to Certain Contracts,* (FSP FIN 39-1). This FSP addresses certain modifications to FIN 39 and whether a reporting entity that is party to a master netting arrangement can offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments that have been offset under the same master netting arrangement in accordance with FIN 39. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007. We do not expect the adoption of FSP FIN 39-1 to have a material impact on our consolidated financial statements.

3. BUSINESS ACQUISITION, DIVESTITURES AND DISCONTINUED OPERATIONS

Acquisition. On October 3, 2006, we completed the acquisition of Royal Group Technologies Limited, (Royal Group), a leading North American manufacturer and marketer of vinyl-based building and home improvement products. We have included the results of Royal Group s operations in our condensed consolidated financial statements since that date.

During the three months ended March 31, 2007 we continued to complete the preliminary allocation of the fair values of assets acquired and liabilities assumed, including certain legal and tax contingencies, and the valuation of property, plant and equipment, spare parts, finite and indefinite lived intangible assets, and assets held for sale and discontinued operations associated with our October 3, 2006 acquisition of Royal Group, which are subject to change within twelve months of the closing date of the acquisition. The following table provides the detail of the changes made to goodwill during the three months ended March 31, 2007.

In Thousands	
Goodwill at January 1, 2007	$ 377,124
Adjustments to preliminary purchase allocation of Royal Group	(1,332)
Foreign currency translation adjustment	2,424
Goodwill at March 31, 2007	$ 378,216

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

3. BUSINESS ACQUISITION, DIVESTITURES AND DISCONTINUED OPERATIONS (Continued)

At March 31, 2007 we also have other indefinite lived intangible assets related to the acquisition of Royal Group of $15,839.

The following represents the summary of finite-lived intangible assets as of March 31, 2007.

In thousands

Finite-lived intangible assets at March 31, 2007	**Chlorovinyls**	**Window and Door Profiles and Mouldings Products**	**Outdoor Building Products**	**Total**
Gross carrying amount for finite-lived intangible assets:				
Customer relationships	$ 1,000	$ 34,000	$ 11,000	$ 46,000
Technology		31,000		31,000
Total	**$ 1,000**	**$ 65,000**	**$ 11,000**	**$ 77,000**
Accumulated amortization for finite-lived intangible assets:				
Customer relationships				
January 1, 2007	$ (14)	$ (472)	$ (153)	$ (639)
Amortization expense	(14)	(203)	(153)	(370)
March 31, 2007	**(28)**	**(675)**	**(306)**	**(1,009)**
Technology				
January 1, 2007		(517)		(517)
Amortization expense		(517)		(517)
March 31, 2007		**(1,034)**		**(1,034)**
Total	**$ (28)**	**$ (1,709)**	**$ (306)**	**$ (2,043)**
Foreign currency translation adjustment:				
Customer relationships	$ (24)	$ (649)	$ (273)	$ (946)
Technology				
Total	**$ (24)**	**$ (649)**	**$ (273)**	**$ (946)**
Net carrying amount for finite-lived intangible assets:				
Customer relationships	**$ 948**	**$ 32,676**	**$ 10,421**	**$ 44,045**
Technology		**29,966**		**29,966**
Total	**$ 948**	**$ 62,642**	**$ 10,421**	**$ 74,011**

Total estimated amortization expense for the next five fiscal years will be approximately $4.6 million per year.

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

3. BUSINESS ACQUISITION, DIVESTITURES AND DISCONTINUED OPERATIONS (Continued)

The following unaudited pro forma information reflects our consolidated results of operations as if the Royal Group acquisition had taken place on January 1, 2006. The pro forma information includes primarily adjustments for depreciation based on the estimated fair value of the property, plant and equipment we acquired, amortization of acquired intangibles and interest expense on the debt we incurred to finance the acquisition. The pro forma information is not necessarily indicative of the results of operations that we would have reported had the transaction actually occurred at the beginning of fiscal 2006, nor is it necessarily indicative of future results.

In thousands, except per share data	**Three months ended March 31, 2006**
Net sales	$ 818,632
Net loss from continuing operations	(1,933)
Basic and diluted loss per share	$ (.06)

Discontinued Operations Outdoor Building Products Segment. As part of our strategic plan for the acquired Royal Group businesses, we continue to exit certain non-core businesses included in our outdoor building products segment. In addition to those businesses that we had already decided to exit during the fourth quarter of 2006, we have also decided to exit our Royal Building Systems North American business in the first quarter of 2007, the net assets of which have been classified as held for sale and the results of operations of which have been classified as discontinued operations as of and for the three months ended March 31, 2007.

The results of all discontinued operations in our outdoor building products segment for the three months ended March 31, 2007 are as follows:

In thousands	**March 31, 2007**
Net sales	**$ 13,140**
Operating loss from discontinued operations	**$ (10,289)**
Benefit from income taxes	**2,228**
Total loss from discontinued operations	**$ (8,061)**

The assets of the discontinued operations in our outdoor building products segment as of March 31, 2007 consisted of $1.9 million of inventory and $5.1 million of property, plant and equipment.

Assets Held-For-Sale. As part of our strategic plan, we also continue to sell certain Royal Group assets and businesses. At March 31, 2007, assets held for sale included $5.1 million of real estate.

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

4. RESTRUCTURING ACTIVITIES

In the fourth quarter of fiscal 2006, we initiated plans to restructure the operations of Royal Group to eliminate certain redundant activities, focus our resources on operations with future growth opportunities and reduce our cost structure. In connection with the restructuring plan, we incurred costs related to termination benefits for employee positions that were eliminated. We expect to pay these termination benefits by September 2007. Any costs incurred during this restructuring plan that will benefit future periods, such as relocation of employees, have been and will be expensed as incurred. A summary of our restructuring activities by reportable segment follows:

In thousands	Balance at December 31, 2006	Cash Payments	Adjustments	Balance at March 31, 2007
Chlorovinyls				
Involuntary termination benefits	**$ 1,468**	$ (328)	$ 19	**$ 1,159**
Window and door profiles and mouldings products				
Involuntary termination benefits	**3,293**	(644)	46	**2,695**
Outdoor building products				
Involuntary termination benefits	**10,729**	(4,631)	123	**6,221**
Unallocated and other				
Involuntary termination benefits	**5,897**	(1,973)	51	**3,975**
Total	**$ 21,387**	$ (7,576)	$ 239	**$ 14,050**

Pursuant to EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination,* involuntary termination costs related to the Royal Group acquisition have been recognized as a liability assumed as of the consummation date of the acquisition and included in the purchase price allocation.

5. ACCOUNTS RECEIVABLE SECURITIZATION

We have an agreement pursuant to which we sell an undivided percentage ownership interest in a defined pool of our trade receivables on a revolving basis through a wholly owned subsidiary to third parties (the Securitization). As collections reduce accounts receivable included in the pool, we sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of $165.0 million, as permitted by the Securitization. At March 31, 2007, the unpaid balance of accounts receivable in the defined pool was approximately $253.8 million. The balance of receivables sold as of March 31, 2007 was $139.0 million.

6. INVENTORIES

The major classes of inventories were as follows:

In thousands	March 31, 2007
Raw materials and supplies	**$ 140,735**
Finished goods	**216,373**
Inventories	**$ 357,108**

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

7. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

In thousands	March 31, 2007
Machinery and equipment	$ 1,317,060
Land and land improvements	117,231
Buildings	232,954
Construction-in-progress	98,148
Property, plant and equipment, at cost	1,765,393
Accumulated depreciation	(729,510)
Property, plant and equipment, net	$ 1,035,883

8. OTHER ASSETS, NET

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

In thousands	March 31, 2007
Advances for long-term purchase contracts	$ 106,294
Investment in joint ventures	23,445
Debt issuance costs	36,832
Prepaid pension costs	18,188
Deferred acquisition costs	7,609
Other	6,192
Total other assets, net	$ 198,560

9. LONG-TERM DEBT

Long-term debt consisted of the following:

In thousands	March 31, 2007
Senior secured credit facility:	
Revolving credit facility expires 2011	$ 52,939
Term loan B due 2013	502,254
7.125% notes due 2013	100,000
9.5% senior notes due 2014	496,665
10.75% senior subordinated notes due 2016	197,071
Sale-leaseback financing obligations	95,865
Other	30,950
Total debt	1,475,744
Less current portion	(64,017)
Long-term debt	$ 1,411,727

Over the next twelve months, we expect to pay off the $64.0 million of borrowings under our senior secured credit facility, including $52.9 million on our revolver and $11.1 million of principal on our tranche

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

9. LONG-TERM DEBT (Continued)

B term loan that we are contractually obligated to pay. Therefore, we have classified this debt as current in our consolidated balance sheet. Debt under the senior secured credit facility is secured by a majority of our assets, including real and personal property, inventory, accounts receivable and other intangibles.

Under the senior secured credit facility and the indentures related to the 7.125 percent, 9.50 percent and 10.75 percent notes, we are subject to certain restrictive covenants, the most significant of which require us to maintain certain financial ratios and limit our ability to pay dividends, make investments, grant liens, sell our assets and engage in certain other activities. Giving effect to the third amendment to the senior secured credit facility discussed in note 17 to these condensed consolidated financial statments, we were in compliance with all necessary financial covenants under our senior secured credit facility and indentures at March 31, 2007.

At March 31, 2007 under our revolving credit facility we have a maximum borrowing capacity of $375.0 million, and net of outstanding letter of credits of $98.7 million and current borrowings of $52.9 million, remaining availability of $223.4 million.

Sale-Leaseback Transaction. On March 29, 2007, we sold certain Canadian land and buildings for $95.9 million. Concurrent with the sale, we leased the properties back for a period of ten years. The lease is renewable at our option for three additional terms of ten years each. The transaction also required a $17 million collateralized letter of credit issued in the favor of the buyer-lessor, with an effective term of eight years. As a result of the collateralized letter of credit, the transaction has been recorded as a financing transaction rather than as a sale, and the land and buildings and related accounts continue to be recognized in property, plant and equipment. The net book value of these properties was $95.9 million at March 31, 2007. Additionally, we have recorded the proceeds of $95.9 million received in the transaction as a financing obligation at March 31, 2007 and used such proceeds to repay amounts outstanding under our senior secured credit facility.

The future minimum lease payments under the terms of the related lease agreements are as follows:

In thousands	
2007	$ 4,520
2008	5,961
2009	6,164
2010	6,232
2011	6,435
Thereafter	35,766
Total	$ 65,078

Also on March 29, 2007, in connection with the transaction discussed above, we sold two additional Canadian properties for approximately $30.4 million. We did not leaseback these properties. The proceeds of $30.4 million were used to repay amounts outstanding under our senior secured credit facility.

10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings. In October 2004 the United States Environmental Protection Agency (USEPA) notified us that we have been identified as a potentially responsible party (PRP) for a Superfund site in Galveston, Texas. The site is a former industrial waste recycling, treatment and disposal facility. Over one

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

10. COMMITMENTS AND CONTINGENCIES (Continued)

thousand PRPs have been identified by the USEPA. We contributed a relatively small proportion of the total amount of waste shipped to the site. In the notice, the USEPA informed us of the agency s willingness to settle with us and other PRPs that contributed relatively small proportions of the total quantity of waste shipped to the Superfund site. We believe that we can reach a settlement with the USEPA in this matter, and although there can be no assurance, we expect the amount of the settlement to be less than $100,000.

In August 2004 and January and February 2005, the USEPA conducted environmental investigations of our manufacturing facilities in Aberdeen, Mississippi and Plaquemine, Louisiana, respectively. The USEPA has informed us that it has identified several areas of concern, and has indicated that such areas of concern may, in its view, constitute violations of applicable requirements, thus warranting monetary penalties and possible injunctive relief. In lieu of pursuing such relief through its traditional enforcement process, the USEPA has proposed that the parties enter into negotiations in an effort to reach a global settlement of the areas of concern and that such a global settlement cover our manufacturing facilities at Lake Charles, Louisiana and Oklahoma City, Oklahoma as well. During the second quarter of 2006, we were informed by USEPA that its regional office responsible for Oklahoma and Louisiana desired to pursue resolution of these matters on a separate track from the regional office responsible for Mississippi.

It is likely that any settlement, if achieved, will result in the imposition of monetary penalties, capital expenditures for installation of environmental controls, and/or other relief. We do not know the total cost of monetary penalties, environmental projects, or other relief that would be imposed in any settlement or order. While we expect that such costs will exceed $100,000, we do not expect that such costs will have a material effect on our financial position, results of operations, or cash flows.

During the first quarter of 2007, we voluntarily disclosed possible noncompliance with environmental requirements, including hazardous waste management and disposal requirements, at our Pasadena facility to the Texas Commission on Environmental Quality (TCEQ). We are currently working with TCEQ to resolve any such possible noncompliance issues. Penalties, if any, for such possible noncompliance may exceed $100,000. However, we do not expect the cost of any penalties, injunctive relief, or other ordered actions to have a material effect on our financial position, results of operations, or cash flows.

Royal Group is currently under investigation by the Royal Canadian Mounted Police (the RCMP), the Ontario Securities Commission (the OSC) and the Securities and Exchange Commission (SEC) regarding its prior public disclosures, including financial and accounting matters. The OSC is also conducting a regulatory investigation of Royal Group, principally in connection with certain related party transactions between Royal Group and Royal St. Kitts Beach Resort Limited, but also in connection with trading in Royal Group s shares.

In October 2005, Royal Group advised the OSC staff, the RCMP and the SEC staff of emails and documents authored by a former finance employee of Royal Group that relate to certain financial accounting and disclosure matters. Royal Group understands that the SEC staff made a referral to the U.S. Department of Justice, Criminal Division, in connection with those documents.

Royal Group and certain of its former officers and former board members are named defendants in two shareholder class action lawsuits pending in the United States District Court for the Southern District of New York and the Ontario Superior Court of Justice brought by Royal Group shareholders. These cases were consolidated as *In re Royal Group Technologies Securities Litigation*. In March 2007, Royal Group entered into a stipulation and agreement of settlement with the lead and representative plaintiffs in the

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

10. COMMITMENTS AND CONTINGENCIES (Continued)

consolidated cases after a mediation process among the parties. It is a condition to the settlement that the U.S. and Canadian actions be settled contemporaneously. Under the terms of the global settlement, subject to the approval of both the U.S. and Canadian courts, Royal Group paid C$9 million or US$7.8 million in cash into escrow after execution of the stipulation and agreement. The settlement remains conditioned, among other things, on receipt of all required court approvals. Although the settlement agreement has been entered into among the parties, there can be no assurance at this time that all conditions to the agreement will be satisfied. The settlement contains no admission of wrongdoing by Royal Group or any of the other defendants.

Further, Royal Group is the subject of a criminal investigation being conducted by the Antitrust Division of the U.S. Department of Justice, which focuses on alleged price fixing in the window coverings industry. On April 4, 2007, Royal Window Coverings (USA) L.P. entered into a settlement agreement with a putative class of direct purchasers of window covering products. The settlement amount is $2.4 million and the settlement encompasses all sales of window covering products made by Royal Window Coverings and any of its affiliates to the direct purchaser class. The plaintiff class has filed two class actions in federal court for the Eastern District of Pennsylvania for the purpose of effectuating the settlement. The settlement agreement must be approved by the court in order to become effective. We anticipate that the court will hold its final hearing on whether to approve the settlement in approximately six months.

There can be no assurance that the changes, liabilities, and cost we incur in respect of each of the foregoing investigations, lawsuits or claims related to the Royal Group will not exceed the amounts anticipated by us in respect thereof, and to the extent they do, our financial condition, results of operations and cash flows may be adversely affected in a material respect.

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

Environmental Regulation. Our operations are subject to increasingly stringent federal, state and local laws and regulations relating to environmental quality. These regulations, which are enforced principally by the USEPA and comparable state agencies and Canadian federal and provincial agencies, govern the management of solid hazardous waste, emissions into the air and discharges into surface and underground waters, and the manufacture of chemical substances. In addition to the matters involving environmental regulation above, we have the following potential environmental issues.

Subsequent to the close of the fourth quarter of 2006, we voluntarily disclosed possible noncompliance at our Aberdeen, Mississippi facility with certain provisions of the Toxic Substances Control Act to the USEPA. While the penalties, if any, for such noncompliance may exceed $100,000, we believe our voluntary disclosures will qualify us for substantially reduced penalties. In any event, we do not expect that any penalties will have a material effect on our financial position, results of operations, or cash flows.

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

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

10. COMMITMENTS AND CONTINGENCIES (Continued)

contamination is ongoing. It is possible that offsite groundwater recovery will be required, in addition to groundwater monitoring. Soil remediation could also be required.

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

CONDEA Vista has agreed to retain responsibility for substantially all environmental liabilities and remediation activity relating to the vinyls business we acquired from it, including the Lake Charles, Louisiana VCM facility. For all matters of environmental contamination that were currently known at the time of acquisition (November 1999), we may make a claim for indemnification at any time; for environmental matters that were then unknown, we must generally make claims for indemnification before November 12, 2009. Further, our agreement with CONDEA Vista provides that CONDEA Vista will be subject to the presumption that all later discovered on-site environmental contamination arose before closing, and is therefore CONDEA Vista s responsibility; this presumption may only be rebutted if CONDEA Vista can show that we caused the environmental contamination by a major, unaddressed release.

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

As for employee and independent contractor exposure claims, CONDEA Vista is responsible for exposures before November 12, 2009, and we are responsible for exposures after November 12, 2009, on a pro rata basis determined by years of employment or service before and after November 12, 1999, by any claimant.

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

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

10. COMMITMENTS AND CONTINGENCIES (Continued)

Although we are not aware of any significant environmental liabilities associated with Royal Group, should any arise, we would have no third party indemnities for environmental liabilities, including liabilities resulting from Royal Group s operations prior to our acquisition of the company.

11. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

Raw Materials and Natural Gas Price Risk Management. The availability and price of our raw materials and natural gas are subject to fluctuations due to unpredictable factors in global supply and demand. To reduce price risk caused by market fluctuations, we may enter into derivative contracts, such as swaps, futures and option contracts with financial counter-parties, which are generally less than one year in duration. We designate any natural gas or raw material derivatives as cash flow hedges. Our outstanding contracts are valued at market with the offset going to other comprehensive income, net of applicable income taxes and any hedge ineffectiveness. Any gain or loss is recognized in cost of goods sold in the same period or periods during which the hedged transaction affects earnings. At March 31, 2007, we had no raw material or natural gas forward swap contracts outstanding.

Interest Rate Risk Management. We maintain floating rate debt, which exposes us to changes in interest rates. Our policy is to manage our interest rate risk through the use of a combination of fixed and floating rate instruments and interest rate swap agreements. We designate interest rate derivatives as cash flow hedges. At March 31, 2007 we had interest rate swaps designated as cash flow hedges of underlying floating rate debt obligations, with liabilities of $1.7 million. These hedges have various expiration dates in 2008 and 2009. The effective portion of the mark-to-market effects of our cash flow hedge instruments is recorded in accumulated other comprehensive income (AOCI) until the underlying interest payment affects income. The unrealized amounts in AOCI will fluctuate based on changes in the fair value of open contracts at the end of each reporting period. During the three months ended March 31, 2007, the impact on the consolidated financial statements due to interest rate hedge ineffectiveness was immaterial.

12. STOCK-BASED COMPENSATION

Under the 1998 and 2002 Equity and Performance Incentive Plans, we are authorized by our stockholders to grant awards for up to 4,500,000 shares of our common stock to employees and non-employee directors. As of March 31, 2007, we had various types of share-based payment arrangements with our employees and non-employee directors including restricted and deferred stock units, and employee stock options.

Stock Options. *For the three months ended March 31, 2007 and 2006, we granted options to purchase 562,935 and 351,996 shares, respectively, to employees and non-employee directors.* Option prices are equal to the closing price of our common stock on the day prior to the date of grant. Options vest over a one or three-year period from the date of grant and expire no more than ten years after the date of grant.

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

12. STOCK-BASED COMPENSATION (Continued)

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

	Three months ended March 31, 2007 Stock option grants	**Three months ended March 31, 2006 Stock purchase plan rights**	**Stock option grants**
Grant date fair value	$ 7.01	$ 8.50	$ 10.21
Assumptions			
Risk-free interest rate	4.66%	4.85%	4.82%
Expected life	5.77 years	1.0 year	4.5 years
Expected volatility	40%	44%	39%
Expected dividend yield	1.67%	1.23%	1.11%

A summary of stock option activity under all plans for the three months ended March 31, 2007, is as follows:

	Three months ended March 31, 2007			
	Shares	**Weighted Average Remaining Contractual Terms**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value (In thousands)**
Outstanding on January 1, 2007	**1,946,823**		**$ 30.14**	
Granted	**562,935**		**20.43**	
Exercised				
Forfeited	**(5,502)**		**41.44**	
Expired				
Outstanding on March 31, 2007	**2,504,256**	**5.9 years**	**$ 27.93**	**$ 17**
Vested or expected to vest at March 31, 2007	**2,488,589**	**6.6 years**	**$ 27.94**	**$ 17**
Exercisable on March 31, 2007	**1,624,931**	**5.1 years**	**$ 28.90**	**$ 17**
Shares available on March 31, 2007 for options that may be granted	**40,610**			

Compensation expense, net of tax, for the three months ended March 31, 2007 from stock options was approximately $1.9 million. Compensation expense, net of tax, for the three months ended March 31, 2006 from stock options and employee stock purchase plan (ESPP) shares was approximately $1.8 million. The ESPP was discontinued in 2007.

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

12. STOCK-BASED COMPENSATION (Continued)

Restricted and Deferred Stock. During the three months ended March 31, 2007 and 2006, we granted 196,914 and 488,898 shares of restricted stock units, restricted stock and deferred stock units, respectively, to our key employees and non-employee directors. The restricted stock units and restricted stock vest over a three-year period and the deferred stock units vest over a one-year period. The weighted average grant date fair value per share of restricted and deferred stock units and restricted stock granted during the three months ended March 31, 2007 and 2006 was $19.19 and $15.39, respectively, which is based on the stock price as of the date of grant. Compensation expense, net of tax, for the three months ended March 31, 2007 and 2006 from restricted stock units, restricted stock and deferred stock units was $2.0 million and $1.6 million, respectively. A summary of restricted and deferred stock units and related changes therein is as follows:

	Three months ended March 31, 2007			
	Shares	**Weighted Average Remaining Contractual Terms**	**Weighted Average Grant Date Fair Value**	**Aggregate Intrinsic Value (In thousands)**
Outstanding on January 1, 2007	**254,910**		**$ 35.80**	
Granted	**196,914**		**19.19**	
Vested	**(113,767)**		**35.81**	
Forfeited	**(390)**		**28.70**	
Outstanding on March 31, 2007	**337,667**	**2.3 years**	**26.10**	**$ 5,474**
Vested or expected to vest at March 31, 2007	**331,690**	**2.3 years**		**$ 5,377**

As of March 31, 2007, we had approximately $4.2 million of total unrecognized compensation cost related to nonvested share-based compensation, which we will record in our statements of income over a weighted average recognition period of approximately two years. The total fair value of shares vested during the three months ended March 31, 2007 and 2006 was $4.3 million and $7.7 million, respectively. For additional information about our share-based payment awards, refer to Note 10 of the Notes to Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2006.

13. EARNINGS PER SHARE

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

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

	Three months ended March 31,	
In thousands	**2007**	**2006**
Weighted average common shares basic	**34,309**	34,048
Plus incremental shares from assumed conversions:		
Options and awards		324
Employee stock purchase plan rights		4
Weighted average common shares diluted	**34,309**	34,376

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

13. EARNINGS PER SHARE (Continued)

Options to purchase 1.7 million and 0.6 million shares of common stock outstanding at March 31, 2007 and 2006, respectively, were not included in the computation of diluted earnings per share as the exercise prices of these options were greater than the average market price of the common stock during these periods.

14. COMPREHENSIVE INCOME (LOSS) INFORMATION

Our comprehensive income (loss) includes foreign currency translation of assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature, derivative financial instruments designated as cash flow hedges, and minimum pension liabilities as required by SFAS No. 158. The components of accumulated other comprehensive loss and total comprehensive income (loss) are shown as follows:

Accumulated other comprehensive loss net of tax

In thousands	**March 31, 2007**
Unrealized losses on derivative contracts	**$ (1,075)**
Minimum pension liability	**(170)**
Effect of SFAS No. 158	**(2,742)**
Cumulative currency translation adjustment	**(17,928)**
Accumulated other comprehensive loss	**$ (21,915)**

The components of total comprehensive (loss) income are as follows:

Total comprehensive (loss) income

In thousands	**Three months ended March 31, 2007**	**2006**
Net (loss) income	$ (34,571)	$ 33,681
Unrealized losses on derivative contracts	(350)	
Effect of SFAS No. 158	(153)	
Cumulative currency translation adjustment	3,462	
Total comprehensive (loss) income	$ (31,612)	$ 33,681

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

15. EMPLOYEE RETIREMENT PLANS

The following table provides the components for the net periodic benefit costs for all pension plans and post retirement benefit plans:

In thousands	Pension Benefit Three months ended March 31, 2007	2006	Other Postretirement Benefits Three months ended March 31, 2007	2006
Components of periodic benefit cost:				
Service cost	**$ 1,092**	$ 925	**$ 21**	
Interest cost	**1,771**	1,382	**34**	
Expected return on assets	**(2,558)**	(1,928)		
Other		(4)		
Amortization of:				
Transition obligation	**20**	54		
Prior service cost	**101**	76		
Actuarial gain	**(5)**	84		
Total net periodic benefit cost	**$ 421**	$ 589	**$ 55**	

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

	Three months ended March 31, 2007	2006
Discount rate	**6.0 %**	5.75 %
Expected return on assets	**8.0 %**	8.25 %
Rate of compensation increase	**4.27 %**	4.26 %

For the three months ended March 31, 2007, we made no contributions to the plan trust. We made contributions in the form of direct benefit payments for both the three months ended March 31, 2007 and 2006 of approximately $0.4 million and $0.6 million, respectively.

16. SEGMENT INFORMATION

We have identified four reportable segments through which we conduct our operating activities: (i) chlorovinyls; (ii) window and door profiles and mouldings products; (iii) outdoor building products; and (iv) aromatics. These four segments reflect the organization used by our management for purposes of allocating resources, and assessing performance. The chlorovinyls segment is a highly integrated chain of products, which includes chlorine, caustic soda, VCM and vinyl resins and compounds. Through the Royal Group acquisition, we acquired vinyl resin, vinyl compound and compound additives manufacturing facilities. These manufacturing operations are very similar to our legacy chlorovinyl manufacturing facilities. Therefore, we have aggregated these manufacturing operations with our chlorovinyls reportable segment. In addition, we acquired manufacturing facilities for vinyl-based building and home improvement products. Our vinyl-based building and home improvement products are marketed under the Royal Group brand names, and are managed within two reportable segments, window and door profiles and mouldings products; and outdoor building products, which includes the following products: siding, pipe and pipe

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

16. SEGMENT INFORMATION (Continued)

fittings, deck, fence and rail products, and outdoor storage buildings. The aromatics segment is also integrated and includes cumene and the co-products phenol and acetone.

Earnings of our segments exclude interest income and expense, unallocated corporate expenses and general plant services, provision for income taxes, costs of our receivables securitization program and income and expense items reflected as other income (expense) on our consolidated statements of income. Transactions between operating segments are valued at market-based prices. The revenues generated by these transfers are provided in the following table.

In thousands	Chlorovinyls	Aromatics	Window and Door Profiles and Mouldings Products	Outdoor Building Products	Unallocated and Other	Total
Three months ended March 31, 2007:						
Net sales	**$ 329,597**	**$ 178,924**	**$ 97,550**	**$ 107,625**	**$**	**$ 713,696**
Intersegment revenues	**47,369**		**1,403**	**5,896**		**54,668**
Operating income (loss)	**14,560**	**5,348**	**(6,118)**	**(8,311)**	**(13,456)**	**(7,977)**
Three months ended March 31, 2006:						
Net sales	$ 441,600	$ 126,273	$	$	$	$ 567,873
Operating income (loss)	75,700	(4,966)			(11,959)	58,775

17. SUBSEQUENT EVENTS

On April 4, 2007, Royal Window Coverings (USA) L.P. entered into a settlement agreement with a putative class of direct purchasers of window covering products. The settlement amount is $2.4 million and the settlement encompasses all sales of window covering products made by Royal Window Coverings and any of its affiliates to the direct purchaser class. The plaintiff class has filed two class actions in federal court for the Eastern District of Pennsylvania for the purpose of effectuating the settlement. The settlement agreement must be approved by the court in order to become effective. We anticipate that the court will hold its final hearing on whether to approve the settlement within approximately six months.

In April 2007, we sold our Royal Building Technologies North America business.

On May 10, 2007, we executed the third amendment to our senior secured credit facility. This amendment revised the leverage and interest coverage financial covenants throughout the term of the agreement; set new limits on capital expenditures; provided additional time for certifying compliance for each of the first three quarters of 2007; and provided for an add-back to the definition of EBITDA for certain non-recurring charges and expenses incurred in the fourth quarter of 2006 and the first quarter of 2007. Based on the revised covenants, we expect to be able to maintain compliance throughout the term of the senior secured credit facility.

18. SUPPLEMENTAL GUARANTOR INFORMATION

Our payment obligations under the indentures for our unsecured 7.125 percent senior notes, our unsecured 9.5 percent senior notes, and our unsecured 10.75 percent senior subordinated notes are

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

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

guaranteed by Great River Oil & Gas Corporation, Georgia Gulf Lake Charles, LLC, Georgia Gulf Chemicals & Vinyls, LLC, and Royal Plastics Group (USA) Limited, Rome Delaware Corporation, Plastic Trends, Inc. and Roybridge Investment (USA) Limited, some of our wholly owned subsidiaries (the Guarantor Subsidiaries). The guarantees are full, unconditional and joint and several. Georgia Gulf is in essence a holding company for all of its wholly ***and majority*** owned subsidiaries. The following condensed consolidating balance sheets, statements of income and statements of cash flows present the combined financial statements of the parent company, and the combined financial statements of our Guarantor Subsidiaries and our remaining subsidiaries (the Non-Guarantor Subsidiaries). Separate financial statements of the Guarantor Subsidiaries are not presented because we have determined that they would not be material to investors.

Provisions in our senior secured credit facility limit payment of dividends, distributions, loans and advances to us by our subsidiaries.

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

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

Georgia Gulf Corporation and Subsidiaries
Supplemental Condensed Consolidating Balance Sheet Information
March 31, 2007
(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$	$ 18,018	$ 2,019	$	$ 20,037
Receivables, net	150,630	123,124	277,974	(276,710)	275,018
Inventories		213,682	143,426		357,108
Prepaid expenses	71	26,407	10,371		36,849
Income tax receivable		16,152	(1,551)		14,601
Deferred income taxes		12,833	20,680		33,513
Current assets held-for-sale and of discontinued operations			1,926		1,926
Total current assets	150,701	410,216	454,845	(276,710)	739,052
Property, plant and equipment, net	161	591,664	444,058		1,035,883
Long-term receivables affiliates	444,965			(444,965)	
Goodwill		213,760	164,456		378,216
Intangibles, net		44,575	45,497	(222)	89,850
Other assets, net	36,271	144,912	20,696	(3,319)	198,560
Non-current assets held-for-sale			10,188		10,188
Investment in subsidiaries	1,255,310	165,363		(1,420,673)	
Total assets	$ 1,887,408	$ 1,570,490	$ 1,139,740	$ (2,145,889)	$ 2,451,749
Current portion of long-term debt	$ 51,000	$ 21	$ 12,996	$	$ 64,017
Accounts payable	99,387	375,857	75,305	(276,710)	273,839
Interest payable	39,294		44		39,338
Accrued compensation	182	13,885	13,508		27,575
Income tax reserve		13,879	82,781		96,660
Other accrued liabilities	496	21,554	46,431		68,481
Total current liabilities	190,359	425,196	231,065	(276,710)	569,910
Long-term debt	1,321,134	121	90,472		1,411,727
Long-term payables affiliates			444,965	(444,965)	
Deferred income taxes		84,394	(3,661)		80,734
Other non-current liabilities	9,742	12,608	4,300	(3,445)	23,205
Total liabilities	1,521,235	522,320	767,141	(725,120)	2,085,576
Stockholders equity					
Total stockholders equity	366,173	1,048,170	372,599	(1,420,769)	366,173
Total liabilities and stockholders equity	$ 1,887,408	$ 1,570,490	$ 1,139,740	$ (2,145,889)	$ 2,451,749

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

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Income Information

Three Months Ended March 31, 2007

(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 3,010	$ 567,953	$ 163,396	$ (20,663)	$ 713,696
Operating costs and expenses:					
Cost of sales		529,534	149,308	(15,285)	663,557
Selling, general and administrative expenses	10,909	25,458	29,541	(7,792)	58,116
Total operating costs and expenses	10,909	554,992	178,849	(23,077)	721,673
Operating income (loss)	(7,899)	12,961	(15,453)	2,414	(7,977)
Other (expense) income:					
Interest expense, net	(22,933)	(950)	(8,192)		(32,075)
Other	2,831				2,831
Equity in income of subsidiaries	(14,628)	(66)		14,694	
Income (loss) before taxes	(42,629)	11,945	(23,645)	17,108	(37,221)
Provision (benefit) for income taxes	(8,058)	3,478	(6,982)	851	(10,711)
Income (loss) from continuing operations	(34,571)	8,467	(16,663)	16,257	(26,510)
Loss from discontinued operations, net of tax		(2,972)	(5,089)		(8,061)
Net income (loss)	$ (34,571)	$ 5,495	$ (21,752)	$ 16,257	$ (34,571)

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

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Income Information

Three Months Ended March 31, 2006

(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 3,322	$ 567,873	$ 4,417	$ (7,739)	$ 567,873
Operating costs and expenses:					
Cost of sales		488,885			488,885
Selling, general and administrative expenses	8,935	16,429	2,588	(7,739)	20,213
Total operating costs and expenses	8,935	505,314	2,588	(7,739)	509,098
Operating income (loss)	(5,613)	62,559	1,829		58,775
Other (expense) income:					
Interest expense, net	(1,052)	(3,285)			(4,337)
Equity in income of subsidiaries	37,804	1,830		(39,634)	
Income before taxes	31,139	61,104	1,829	(39,634)	54,438
Provision (benefit) for (from) income taxes	(2,542)	23,299			20,757
Net income	$ 33,681	$ 37,805	$ 1,829	$ (39,634)	$ 33,681

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

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Cash Flows Information

Three Months Ended March 31, 2007

(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 2,808	$ 25,960	$ (23,374)	$ (5,779)	$ (385)
Investing activities:					
Capital expenditures		(20,787)	(7,259)		(28,046)
Proceeds from sale of property, plant and equipment		1,500	64,302		65,802
Net cash (used in) investing activities		(19,287)	57,043		37,756
Financing activities:					
Net change in revolving line of credit	20,100		6,828		26,928
Proceeds from notes payable to affiliates	126,562		(132,324)	5,762	
Long-term debt payments	(146,007)	(55)	(75)		(146,137)
Proceeds from sales leaseback of property					
Proceeds from issuance of common stock			95,865		95,865
Purchases and retirement of common stock	(684)				(684)
Dividends paid	(2,779)				(2,779)
Net cash used in financing activities	(2,808)	(55)	(29,706)	5,762	(26,807)
Effect of exchange rate changes on cash			(185)	17	(168)
Net change in cash and cash equivalents		6,618	3,778		10,396
Cash and cash equivalents at beginning of period		11,399	(1,758)		9,641
Cash and cash equivalents at end of period	$	$ 18,017	$ 2,020	$	$ 20,037

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

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Cash Flows Information

Three Months Ended March 31, 2006

(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	$ 2,349	$ 65,081	$ 10	$	$ 67,440
Cash flows used in investing activities:					
Capital expenditures		(11,963)			(11,963)
Cash flows from financing activities:					
Net change in revolving line of credit		(54,300)			(54,300)
Proceeds from issuance of common stock	10				10
Purchase and retirement of common stock	(1,032)				(1,032)
Tax benefits from employee share-based exercises	1,421				1,421
Dividends paid	(2,748)				(2,748)
Net cash (used in) provided by financing activities	(2,349)	(54,300)			(56,649)
Net change in cash and cash equivalents		(1,182)	10		(1,172)
Cash and cash equivalents at beginning of period		14,296	2		14,298
Cash and cash equivalents at end of period	$	$ 13,114	$ 12	$	$ 13,126

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Report of Independent Registered Public Accounting Firm

The Board of Directors
Royal Group Technologies Limited

We have audited the accompanying consolidated balance sheets of Royal Group Technologies Limited as of December 31, 2005 and 2004 and the related consolidated statements of earnings, retained earnings and cash flows for the year ended December 31, 2005, the fifteen month period ended December 31, 2004 and the year ended September 30, 2003. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Royal Group Technologies Limited as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the year ended December 31, 2005, the fifteen month period ended December 31, 2004 and the year ended September 30, 2003, in conformity with Canadian generally accepted accounting principles.

Accounting principles generally accepted in Canada vary in certain significant respects from U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in Note 26 to the consolidated financial statements.

/s/ KPMG LLP

Toronto, Ontario
April 29, 2006, except as to note 28 which is as of August 29, 2006

ROYAL GROUP TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEETS
(In thousands of Canadian dollars, except share numbers and per share amounts)

	As at December 31, 2005 (audited)	As at December 31, 2004 (audited)
ASSETS		
Current assets:		
Cash	$	$ 112,088
Accounts receivable net of allowance of $19,512 (2004-$19,696) (note 6)	228,584	257,346
Inventories (note 7)	346,887	456,339
Prepaid expenses	15,461	13,893
Current assets held for sale (note 4)	174,593	
	765,525	839,666
Property, plant and equipment (note 8)	981,037	1,324,549
Future income tax assets (note 18)		16,561
Goodwill	194,355	213,620
Other assets (note 9)	11,348	44,525
Long-lived assets held for sale (note 4)	83,988	6,051
	$ 2,036,253	$ 2,444,972
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Bank indebtedness (note 10)	$ 158,789	$
Accounts payable and accrued liabilities (note 11)	274,746	268,348
Term bank loan (note 10)		324,836
Term debt due within one year (note 12)	46,902	18,303
Current liabilities held for sale (note 4)	119,026	
	599,463	611,487
Term debt (note 12)	250,721	303,214
Future income tax liabilities (note 18)	74,910	149,049
Minority interest	856	15,761
Shareholders equity:		
Capital stock (note 13)	634,866	633,754
Contributed surplus (note 14)	8,020	3,703
Retained earnings	599,637	878,779
Currency translation adjustment	(132,220)	(150,775)
	1,110,303	1,365,461
Investigations (note 2)		
Commitments, contingencies and guarantees (notes 5, 22, 23 and 24)		
Plan of Arrangement with Georgia Gulf Corporation (note 27)		
Subsequent events (note 28)		
	$ 2,036,253	$ 2,444,972

See accompanying notes to consolidated financial statements.

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ROYAL GROUP TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands of Canadian dollars, except share numbers and per share amounts)

	12 months ended December 31, 2005 (audited)	**15 months ended December 31, 2004 (audited)**	**12 months ended December 31, 2004 (unaudited)**	**3 months ended December 31, 2003 (unaudited)**	**12 months ended September 30, 2003 (audited)**
Net sales	$ 1,696,353	$ 2,026,396	$ 1,664,661	$ 361,735	$ 1,636,509
Cost of sales	1,298,090	1,457,881	1,207,710	250,171	1,234,842
Gross profit	398,263	568,515	456,951	111,564	401,667
Selling costs	101,064	120,811	100,300	20,511	130,028
Delivery and warehousing costs	143,145	158,058	129,606	28,452	108,132
General and administration costs	199,993	134,576	109,346	25,230	102,520
Other items (note 17)	29,589				16,987
Operating earnings (loss)	(75,528)	155,070	117,699	37,371	44,000
Interest and financing charges (note 16)	25,441	34,837	26,150	8,687	39,456
Earnings (loss) from continuing operations before income taxes and minority interest	(100,969)	120,233	91,549	28,684	4,544
Income tax expense (recovery) (note 18)	8,461	37,164	17,576	19,588	(5,362)
Earnings (loss) from continuing operations before minority interest	(109,430)	83,069	73,973	9,096	9,906
Minority interest	584	(295)	(285)	(10)	(416)
Earnings (loss) from continuing operations	(108,846)	82,774	73,688	9,086	9,490
Discontinued operations, net of income taxes (note 4):					
Loss from operations	(9,740)	(28,402)	(23,042)	(5,360)	(44,285)
Loss on write-down of businesses	(151,856)	(17,523)	(17,523)		(23,416)
Loss from discontinued operations	(161,596)	(45,925)	(40,565)	(5,360)	(67,701)
Net earnings (loss)	$ (270,442)	$ 36,849	$ 33,123	$ 3,726	$ (58,211)
Earnings (loss) per share (note 15):					
Basic earnings (loss) per common share from continuing operations	$ (1.16)	$ 0.89	$ 0.79	$ 0.10	$ 0.10
Basic earnings (loss) per common share	(2.89)	0.39	0.35	0.04	(0.62)
Diluted earnings (loss) per common share from continuing operations	(1.16)	0.87	0.78	0.10	0.10
Diluted earnings (loss) per common share	(2.89)	0.39	0.35	0.04	(0.62)

See accompanying notes to consolidated financial statements.

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ROYAL GROUP TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(In thousands of Canadian dollars, except share numbers and per share amounts)

	12 months ended December 31, 2005 (audited)	**15 months ended December 31, 2004 (audited)**	**12 months ended December 31, 2004 (unaudited)**	**3 months ended December 31, 2003 (unaudited)**	**12 months ended September 30, 2003 (audited)**
Retained earnings, beginning of period	$ 878,779	$ 841,930	$ 845,656	$ 841,930	$ 900,141
Net earnings (loss)	(270,442)	36,849	33,123	3,726	(58,211)
Premium on conversion of multiple voting shares (notes 2(a) and 13(c))	(8,700)				
Retained earnings, end of period	$ 599,637	$ 878,779	$ 878,779	$ 845,656	$ 841,930

See accompanying notes to consolidated financial statements.

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ROYAL GROUP TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of Canadian dollars, except share numbers and per share amounts)

	12 months ended December 31, 2005 (audited)	15 months ended December 31, 2004 (audited)	12 months ended December 31, 2004 (unaudited)	3 months ended December 31, 2003 (unaudited)	12 months ended September 30, 2003 (audited)
Cash provided by (used in):					
Operating activities:					
Net earnings (loss)	$ (270,442)	$ 36,849	$ 33,123	$ 3,726	$ (58,211)
Loss from discontinued operations	(161,596)	(45,925)	(40,565)	(5,360)	(67,701)
Earnings (loss) from continuing operations	(108,846)	82,774	73,688	9,086	9,490
Items not affecting cash (bank indebtedness) of continuing operations (note 20)	189,661	190,335	133,022	57,313	237,397
Change in non-cash working capital (note 20)	31,332	25,436	15,427	10,009	45,944
	112,147	298,545	222,137	76,408	292,831
Financing activities:					
Increase in term bank loan		500,000		500,000	
Repayment of term bank loan	(324,836)	(175,164)	(175,164)		
Repayment of term debt	(18,725)	(57,456)	(53,217)	(4,239)	(101,686)
Proceeds from issuance of shares under stock option plan		1,043	145	898	14
	(343,561)	268,423	(228,236)	496,659	(101,672)
Investing activities:					
Acquisition of property, plant and equipment	(66,440)	(99,725)	(83,673)	(16,052)	(96,458)
Acquisitions of other businesses					(4,525)
Proceeds from the sale of non-strategic assets	7,905	31,934	31,934		
Change in investments	(272)	(2,014)	(2,014)		
Change in other assets	2,813	(1,088)	(1,088)		820
Change in minority interest	(1,120)	286	1,092	(806)	(5,889)
	(57,114)	(70,607)	(53,749)	(16,858)	(106,052)
Discontinued operations:					
Operating activities	(5,912)	(27,831)	(25,986)	(1,845)	(54,985)
Investing activities	(6,462)				
	(12,374)	(27,831)	(25,986)	(1,845)	(54,985)
Effect of foreign exchange rate on cash (bank indebtedness)	(5)	(1,362)	(657)	(705)	(1,417)
Increase (decrease) in cash	(300,907)	467,168	(86,491)	553,659	28,705
Cash (bank indebtedness), beginning of period	112,088	(355,080)	198,579	(355,080)	(383,785)
Cash (bank indebtedness), end of period	$ (188,819)	$ 112,088	$ 112,088	$ 198,579	$ (355,080)
Consists of:					
Cash (bank indebtedness) of continuing operations	$ (158,789)	$ 112,088	$ 112,088	$ 198,579	$ (355,080)
Cash (bank indebtedness) of discontinued operations	(30,030)				
Cash (bank indebtedness), end of period	$ (188,819)	$ 112,088	$ 112,088	$ 198,579	$ (355,080)
Supplemental cash flow information:					
Interest and financing charges paid	$ 17,410	$ 35,663	$ 24,291	$ 11,372	$ 36,006
Income taxes paid	21,633	8,892	7,029	1,863	
Income tax refund received	1,473				7,884

See accompanying notes to consolidated financial statements.

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ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

Royal Group Technologies Limited (the Company) is a leading producer of innovative, attractive, durable and low-maintenance building and home improvement products for the North American marketplace. The Company has manufacturing operations located throughout North America to service to its extensive customer network.

1. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (Canadian GAAP), which differs in some respects from United States generally accepted accounting principles (U.S. GAAP), as disclosed in note 26. A summary of significant accounting principles used by the Company is as follows:

(a) Change in year end:

In 2004, the Company changed its fiscal year end from a September 30 fiscal year end to a December 31 fiscal year end to coincide with the calendar year. The change to a calendar year basis is more consistent with its sales planning and business reporting activities and programs. Accordingly, the fiscal year ended December 31, 2004 is a transition year comprising fifteen months. The Company has included unaudited financial statements comprising the consolidated statement of earnings, the consolidated statement of retained earnings and the consolidated statement of cash flows for the twelve months ended December 31, 2004, and the three months ended December 31, 2003, (which aggregate to the fifteen months ended December 31, 2004).

(b) Principles of consolidation:

These consolidated financial statements include the accounts of the Company, its subsidiaries and its proportionate share of the accounts of its joint ventures. Investments in joint ventures have been proportionately consolidated based on the Company s ownership interest. All significant intercompany profits, transactions and balances have been eliminated on consolidation.

(c) Cash and cash equivalents:

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less.

(d) Inventories:

Raw materials and work in process are valued at the lower of cost and replacement cost. Finished goods are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(e) Investments:

Long-term investments over which the Company has significant influence are recorded on the equity basis and investments where the Company does not control or exercise significant influence are recorded on the cost basis.

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

1. Significant Accounting Policies (Continued)

Investments are written down when there is evidence that a decline in value is other than temporary.

(f) Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated amortization. Interest costs relating to loans used to fund major capital expenditures are capitalized up to the time the capital asset is placed into productive use. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 - 40 years
Plant equipment	10 - 15 years
Dies and moulds	4 - 10 years
Office and computer equipment and computer software	3 - 10 years
Aircraft and transport equipment	5 - 20 years

An impairment loss is recognized when the carrying value of an asset exceeds the total undiscounted cash flows expected from its use and eventual disposition. The impairment recognized is measured as the amount by which the carrying value of the asset exceeds its fair value.

(g) Goodwill:

Goodwill represents the cost of investments in operating companies in excess of the fair value of the net identifiable assets acquired. Goodwill is not amortized but instead is tested for impairment annually and at any time if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. A reporting unit is the level of reporting at which goodwill is tested for impairment and is either an operating segment or one level below. Impairment is tested at the reporting unit level by comparing the reporting unit s carrying amount to its fair value. The fair values of the reporting units are calculated using discounted cash flows, which contain assumptions regarding future operating performance. These assumptions include revenue growth rates, margin assumptions, discount rates and terminal rates. If the carrying amount exceeds the fair value, there is an impairment in goodwill. Any impairment in goodwill is measured by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and comparing the notional goodwill from the fair value allocation to the carrying value of goodwill. The Company regularly monitors the forecasted cash flows of its reporting units and any significant adverse changes in circumstances or assumptions would require the Company to test for goodwill impairment.

The Company completed the annual impairment test for its reporting units and determined that there was no impairment of goodwill as of December 31, 2005

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

1. Significant Accounting Policies (Continued)

(December 31, 2004 $ nil). During the quarter ended June 30, 2006, the Company recorded a goodwill impairment charge of $25,496 for the three months ended June 30, 2006 (note 28(d)).

(h) Other assets:

Other assets include equity investments, intangible assets and deferred financing costs. Intangible assets consist of patents. The patents were evaluated for impairment and the estimate of remaining useful lives, and they continue to be amortized on a straight-line basis over 5 to 17 years.

Deferred financing costs are amortized over the life of the related debt instruments.

(i) Income taxes:

The Company applies the asset and liability method of accounting for income taxes, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax laws and tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, the character of the tax assets and the tax planning strategies in making this assessment. Based upon projections of future taxable income over the periods in which the future income tax assets are deductible, management believes the Company will realize the benefits of these assets.

(j) Revenue recognition:

Revenue from product sales is recognized pursuant to sales contracts, when goods are shipped, at which time a provision for estimated returns is recorded. In addition, the price of the sale must be fixed or determinable, there must be no further performance obligations and collection must be reasonably assured.

(k) Foreign currency translation:

The accounts of the Company s foreign operations that are considered to be self-sustaining are translated into the functional currency of the entity using the current rate method. Assets and liabilities are translated at the exchange rates in effect at the consolidated balance

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

1. Significant Accounting Policies (Continued)

sheet dates and revenue and expenses are translated at average exchange rates for the period. Gains or losses arising from the translation of the consolidated financial statements of self-sustaining foreign operations are deferred in a currency translation adjustment account in shareholders equity until there is a realized reduction in the net investment. The change in the balance of currency translation adjustment is due predominantly to the strengthening of the Canadian dollar against the U.S. dollar.

The accounts of the Company s foreign operations that are considered to be integrated are translated into the functional currency of the entity using the temporal method. The temporal method is a method of translation that translates assets, liabilities, revenues and expenses in a manner that retains their bases of measurement in terms of the Canadian dollar.

Gains and losses on the translation of the U.S. dollar-denominated Senior Unsecured Notes (note 12) are designated as a hedge of the U.S. dollar net investment in the self-sustaining operations and are offset against the exchange gains or losses arising on translation of the consolidated financial statements of the foreign operations and are included in the currency translation adjustment.

Monetary assets and liabilities of the Company and its domestic subsidiaries denominated in foreign currencies are translated into the functional currency of the entity at the rate of exchange in effect at the consolidated balance sheet dates. All revenue and expenses denominated in foreign currencies are translated at average rates in effect during the period. Translation gains and losses are included in the consolidated statements of earnings.

(l) Stock-based compensation plans:

Stock options granted to employees are accounted for using the fair value method. Under this method, compensation expense and an increase to contributed surplus is recognized for stock options over their vesting period based on their estimated fair values on the date of grant, as determined by the Black-Scholes option pricing model.

Restricted share units (RSUs) granted to senior management are accounted for at their fair market value on the grant date. The compensation expense and related increase in contributed surplus is recognized evenly over the vesting period based on the total compensation to be paid out at the entitlement date.

(m) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Those estimates and assumptions are based on management s best knowledge of current

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

1. Significant Accounting Policies (Continued)

events and actions that the Company may undertake in the future. Significant areas requiring the use of management estimates include the valuation of allowance for doubtful accounts, the valuation of inventory obsolescence, the determination of stock-based compensation, the determination of fair value of goodwill and the useful life of long-lived assets as well as determination of impairment thereon, the recoverability of future income tax assets and the determination of possible losses arising from lawsuits. Actual results could differ from those estimates.

(n) Earnings (loss) per share:

Basic earnings (loss) per share are computed by dividing net earnings (loss) by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share are computed similar to basic earnings (loss) per share, except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the period.

(o) Comparative figures:

Certain figures for years prior to December 31, 2005 have been reclassified to conform with the financial statement presentation adopted in 2005.

(p) Recently issued accounting standards:

(i) Emerging Issues Committee (EIC) Abstract 156, Accounting by a Vendor for Consideration Given to a Customer (including a Reseller of the Vendor s Products) (EIC 156), addresses how a vendor should account for consideration given to a customer or reseller of a vendor s product. EIC 156 is to be applied retroactively, without restatement, to all interim and annual financial statements for fiscal years beginning on or after January 1, 2006.

The Company is currently evaluating the effect of this standard on its consolidated financial statements and is expected to adopt the standard effective January 1, 2006.

(ii) During 2005, The Canadian Institute of Chartered Accountants (CICA) issued three new accounting standards: CICA Handbook Section 1530, Comprehensive Income ; CICA Handbook Section 3855, Financial Instruments Recognition and Measurement ; and CICA Handbook Section 3865, Hedges . These standards, which must be adopted together, are effective for fiscal years beginning on or after October 1, 2006. The Company is currently evaluating the impact on its consolidated financial statements of adopting these standards effective January 1, 2007.

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

1. Significant Accounting Policies (Continued)

(a) Comprehensive income:

This standard provides guidance on the presentation of comprehensive income which is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income is comprised of net income and other comprehensive income. Other comprehensive income includes certain gains and losses that are recognized outside of net income.

(b) Financial instruments recognition and measurement:

This standard provides guidance for recognizing and measuring financial assets and financial liabilities which are to be valued at fair value with certain limited exceptions. The standard also provides guidance on the classification of gains and losses into net earnings (loss) or other comprehensive income.

(c) Hedges:

This standard replaces existing hedge accounting guidance in CICA Handbook Section 1650, Foreign Currency Translation , and Accounting Guideline 14, Hedging Relationships and provides requirements for the designation, documentation and disclosure of qualifying hedge relationships.

2. Investigations

(a) Background:

The Board of Directors of the Company established a Special Committee in late December 2003 as a result of the Company being advised that the Ontario Securities Commission (the Commission) was conducting a regulatory investigation of the Company. The Special Committee was asked by the Board of Directors to conduct an independent inquiry into the principal subject matter of the investigation being the transactions between the Company and Royal St. Kitts Beach Resort Limited (the Resort). The Resort ownership included the following directors or former directors or executive officers or former executive officers and their approximate percentage ownership: Vic De Zen, former Chairman, President, Chief Executive Officer and the controlling shareholder (59.9%), Douglas Dunsmuir, former President and Chief Executive Officer (5%), Ron Goegan, former Chief Financial Officer (0.02%) and Angelo Bitondo, President Custom Profiles, Outdoor Products and Royal Building Systems (0.01%). The latter two individuals divested of their ownership in December 2004. In addition, the following former non-executive employees of the Company and their approximate percentage ownership in the Resort were as follows: Fortunato Bordin (20%) and Domenic D Amico (15%).

The Special Committee consisted of three independent directors, at that time, who retained independent legal counsel who, in turn, retained forensic accountants to assist in the investigation. At the conclusion of the investigation based on information available to them, the

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ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

2. Investigations (Continued)

Special Committee recommended that no further investigative actions were to be taken as of April 21, 2004.

On October 15, 2004, the Company announced that the Commission provided the Company with a copy of a Production Order on October 12, 2004 that was issued on October 5, 2004 by a Justice in Ontario addressed to the Company s lead bank. The Order, which related to the time period January 1, 1996 to July 30, 2004, required that certain documents be provided by such bank to the Royal Canadian Mounted Police (RCMP) in relation to four companies, Royal Building Systems, a subsidiary of the Company, the Resort and two other affiliates of the Resort.

On October 18, 2004, the Company received a letter from the RCMP advising that the Company was a target of the RCMP s investigation.

On October 21, 2004, the Company announced that it expanded the Special Committee of its Board of Directors that was established in December 2003. The Special Committee was expanded to comprise all five of the independent directors of the Company at that time. The mandate of the Special Committee was also broadened to include all aspects of the investigations and inquiries by securities regulatory authorities and the RCMP and any similar or related investigations and inquiries that were commenced by these or other authorities, all news releases and other communications with the public and to make a determination with respect to the role within the Company of any individuals who were involved in the regulatory or law enforcement investigations and/or proceedings.

On October 28, 2004, the Company announced that on October 27, 2004, it was provided with a copy of a second Production Order issued on October 25, 2004 by a Justice in Ontario addressed to the Company s lead bank. The second Order, which related to the time period January 1, 1996 to October 25, 2004, required that certain documents were to be provided by the bank to the RCMP in relation to certain individuals and a number of entities, including the Company.

Both Orders included allegations of actions contrary to the Criminal Code and included allegations of intent to defraud the shareholders and creditors of the Company and deceive the shareholders and others by circulating or publishing in a prospectus or statement or account, which, was known to be false and theft. The Orders collectively named the controlling shareholder and non-executive chairman of the Company, the president and chief executive officer and the chief financial officer at that time, and certain non-executive employees of the Company at that time and a former director of the Company.

On November 8, 2004, the Company announced that the Special Committee of independent directors retained independent legal counsel and independent forensic accountants to assist it in the broadened mandate.

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

2. Investigations (Continued)

On November 29, 2004, the Company announced that the Special Committee terminated for cause the president and chief executive officer and the chief financial officer. In addition, the chairman of the board, who was also the controlling shareholder, was dismissed. The Board of Directors appointed an interim president and chief executive officer and an interim chief financial officer, who were directors of the Company.

In November 2004, the Special Committee notified the Securities and Exchange Commission (the SEC) regarding the Special Committee s investigation.

In March 2005, the Special Committee recommended an overall settlement with the controlling shareholder involving (i) the repayment to the Company by the controlling shareholder personally of the full amount of the gain earned by all interested parties ($6,500 plus interest of $2,200) on the sale of the Vaughan West Lands to the Company. In lieu of a cash repayment, the Company agreed to the conversion of multiple voting shares in the Company owned, directly or indirectly, by the controlling shareholder to common shares on a one-for-one basis which will be structured so that his shares will receive an increase in their adjusted cost base for tax purposes (at no cost to the Company or any of the shareholders) which will reduce his gain for tax purposes when he disposes of his shares, (ii) the repayment to the Company by the controlling shareholder of bonuses received in 2002 of $1,130, (iii) a non-compete covenant of the controlling shareholder that extends to December 18, 2006, (iv) a release by the controlling shareholder of all known claims against the Company and (v) the resignation of the controlling shareholder as a director of the Company (at the time of the shareholders approval of the conversion of his shares from multiple voting to single voting shares). In consideration of such settlement arrangements, the Company agreed to release the controlling shareholder from all known claims that the Company may have against him.

On May 13, 2005, the Company announced its Board of Directors appointed a new president and chief executive officer to replace the interim president and chief executive officer.

The conversion transaction and the settlement with the controlling shareholder received shareholder approval at the Annual and Special General Meeting that took place on May 25, 2005. On June 23, 2005, the Company filed the articles of amendment as approved by the shareholders on May 25, 2005 and the Company now has one class of voting common shares.

On July 27, 2005, the Board of Directors appointed a new chief financial officer to replace the interim chief financial officer.

The Company understands that the RCMP continues its previously announced investigation. The Commission is also continuing its investigation of the Company with respect to disclosure records, financial affairs and trading in the shares of the Company.

On June 24, 2005, the SEC staff notified the Special Committee that the SEC staff is conducting a formal investigation related to the Company s past accounting practices and

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

2. Investigations (Continued)

disclosures, and that a subpoena would be forthcoming. On July 8, 2005, the Special Committee received written notification that the SEC had issued a Formal Order of Investigation styled, In the Matter of Royal Group Technologies (HO-09896). On July 27, 2005, the SEC served the Company with a subpoena requiring the production of documents relating to related party transactions (the July Subpoena). The Special Committee has produced to the SEC staff documents responsive to the July Subpoena.

In October 2005, the Special Committee advised Commission staff, the RCMP and SEC staff of emails and documents authored by a former financial employee of the Company that relate to certain financial accounting and disclosure matters. The Company understands that the SEC staff made a referral to the U.S. Department of Justice, Criminal Division, in connection with those documents. Also in October 2005, the Audit Committee assumed responsibility for the Special Committee s mandate and the Special Committee was dissolved. Independent forensic accountants were retained to investigate issues raised by these documents (the Investigation). The Investigation focuses on the period from 2000 to 2003.

The Investigation to date has included a review of certain of the Company s historical accounting records, available supporting documentation at the Company s head office and email communications of various individuals during the period under review, as well as interviews with numerous current and former employees.

The Investigation identified certain monthly and quarterly accounting and reporting issues of concern for the period under review, such as support for monthly sales growth announcements for certain months in 2001, whether month end closes were extended for a few days for certain months in 2000 and 2001, and certain quarterly journal entries for the period under review.

The quarterly statements were not reviewed by the external auditors during this time period. Based on the Investigation to date, the Audit Committee has determined that further investigation should be made of these issues.

The Investigation also identified entries of concern relating to the year end financial statements for the fiscal years 2000 to 2003. The Company has concluded that no restatement is required of year end financial statements for fiscal years 2000 to 2003. The auditors have not withdrawn their reports for the fiscal years 2000 to 2003. The Audit Committee has determined that no further action be taken in respect of these year end financial statements.

The Investigation and the ongoing investigations by the Commission, RCMP and SEC could produce results that have a material impact on the Company and could result in further information being discovered that could require adjustments to the financial statements.

Subsequent to the year end, the SEC commented on the Company s Form 40-F in respect of fiscal 2004 and fiscal 2005. The SEC raised some comments related to the Company s goodwill

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

2. Investigations (Continued)

valuation and the full valuation allowance of the Company s U.S future tax losses. The process of responding to SEC s comments is complete and resulted in the Company refiling its Management Discussion and Analysis documents for the twelve months ended December 31, 2005 and for the quarter ended June 30, 2006. No adjustments to the financial statements in respect of these matters was required.

(b) Historical related party transactions:

In the course of the Special Committee s broadened investigation, the following historical related party transactions shown at the exchange amount were identified that were not previously disclosed in the financial statements prior to December 31, 2004:

(i) The Company purchased what has been called the Vaughan West Lands in 1998 for approximately $27,400. The Company purchased the Vaughan West Lands, approximately 185 acres in Woodbridge, Ontario, by acquiring a numbered company owned by the controlling shareholder and other individuals who were officers, employees of or associated with the Company. This numbered company had acquired the Vaughan West Lands for $20,900 shortly before they were sold to the Company.

(ii) The Company received a warrant for 200,000 shares of another public company, Premdor Inc. (now known as Masonite International Corporation) (Masonite). The Company obtained the warrant as partial consideration for the sale of a subsidiary to Masonite in early 2000. In early 2002, the Company exercised the warrant when Masonite s shares were trading at approximately $21.75, which was $8.50 more than the exercise price (resulting in a gain of approximately $1,700). The Company s exercise of the warrant was funded by the then five senior executives of the Company and one other individual who was then an employee of the Company. The employees deposited a total of $2,650 with the Company which funded the Company s payment to Masonite to exercise the warrant. The shares obtained were then distributed by the Company to the six individuals. The warrant and the transfer of the shares to the individuals were not recorded in the accounting records of the Company. If the transaction had been recorded in the financial statements in fiscal 2002, a gain would have been realized as other income with an equal and offsetting amount recorded as an operating expense in the income statement.

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

2. Investigations (Continued)

(iii) The Company sold products and services to a company related to the controlling shareholder, as follows:

1998	$ 150
1999	3,750
2000	9,620
2001	7,560
2002	11,460

(iv) During 1998 to 2003, the Company facilitated foreign currency exchange transactions at exchange rates available to the Company, and utilized Company bank accounts to transfer funds internationally on behalf of the controlling shareholder, a significant shareholder and certain executives in the amount of $95,000 at no cost to the Company.

(v) During 1997 to 2002, the Company managed the construction of four real estate developments for the controlling shareholder and family members. The Company paid invoices associated with these projects aggregating $21,100 and was reimbursed by these individuals.

(vi) During 2000 and 2002, the Company sold assets for $240 and $300, respectively, to companies related to the controlling shareholder.

(vii) From 1998 to 2002, the Company sold to family members of the controlling shareholder, parts and services for $290.

(viii) In 1997, the Company acquired Baron Metals Industries Inc., a company in which the controlling shareholder held a 17.7% interest, for $11,500.

(ix) In 1996, the Company acquired three businesses, Jovien Associates Limited, Royal King Electric Limited and La Pineta Limited, in which the controlling shareholder held a minority interest, for $2,900.

(x) In 1999, the Company acquired 75% of Top Gun Electrical Supply Ltd., a company in which the controlling shareholder held a 40% interest, for $1,870.

(xi) In 1995, the Company purchased from the controlling shareholder and others their 50% interest in Hanmar Mechanical Services Inc. for $180.

(xii) In 1998, the Company purchased two parcels of real estate from the controlling shareholder for $2,900.

(xiii) In 1997, the Company purchased two parcels of real estate for $2,550 from a company in which a director of the Company was a shareholder through his holding company.

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ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

2. Investigations (Continued)

(xiv) The Company sold real estate to the controlling shareholders, as follows:

1994	$ 220
1995	810
1996	90
2000	200

(xv) In 2003, the Company sold real estate for $350 to family members of the controlling shareholder, employees and a former employee.

(xvi) The Company sold real estate to a significant shareholder, as follows:

1995	$ 110
1997	80

(xvii) During 1999 to 2001, the Company entered into 9 joint land service agreements with companies related to the controlling shareholder and another company in which a director of the Company was a shareholder.

(c) Agreement with the controlling shareholder:

At the conclusion of its investigations, the Special Committee recommended an overall settlement with the controlling shareholder involving (i) the repayment to the Company by the controlling shareholder personally of the full amount of the gain earned by all interested parties ($6,500 plus interest of $2,200) on the sale of the Vaughan West Lands to the Company. In lieu of a cash repayment, the Company has agreed to the conversion of multiple voting shares in the Company owned, directly or indirectly, by the controlling shareholder on a one-for-one basis which will be structured so that his shares will receive an increase in their adjusted cost base for tax purposes (at no cost to the Company or any of the shareholders) which will reduce his gain for tax purposes when he disposes of his shares, (ii) the repayment to the Company by the controlling shareholder of bonuses received in 2002 of $1,130, (iii) a non-compete covenant of the controlling shareholder that extends to December 18, 2006, (iv) a release by the controlling shareholder of all known claims against the Company and (v) the resignation of the controlling shareholder as a director of the Company (at the time of the shareholders approval of the conversion of his shares from multiple voting to single voting shares). In consideration of such settlement arrangements, the Company agreed to release the controlling shareholder from all known claims that the Company may have against him.

The conversion transaction and the settlement with the controlling shareholder received shareholder approval at the Annual and Special General Meeting that took place on

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ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

**Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited)
and twelve months ended September 30, 2003 (audited)**

2. Investigations (Continued)

May 25, 2005. On June 23, 2005, the Company filed the Articles of Amendment as approved by the shareholders on May 25, 2005 and the Company now has one class of voting common shares.

3. Acquisitions and Divestitures

During fiscal 2005, the Company acquired the outstanding minority interest of several of its subsidiaries and the outstanding equity of one of its joint ventures for cash consideration totalling $2,468. Subsequently, the operations of these subsidiaries and the joint venture were legally wound up into the Company.

In addition, the Company divested of its shares in its wood blind business in Mexico. A loss of $4,592 was recorded on this divestiture, which is recorded as part of the Company s operating expenses.

During fiscal 2004, there were no acquisitions or divestitures of businesses.

During fiscal 2003, the Company acquired working capital and property, plant and equipment from certain businesses for aggregate consideration of $4,525 cash. The assets acquired are recorded at fair value and there was no cash in the working capital acquired. These acquisitions were accounted for by the purchase method and are summarized as follows:

	As at December 31, 2003 (audited)
Working Capital	$ 1,600
Property, plant and equipment	2,925
Total purchase price	$ 4,525

Royal Group Technologies Limited

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(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

4. Discontinued Operations and Assets Held for Sale

The assets held for sale presented on the consolidated balance sheet are comprised of amounts with respect to operations which are discontinued (note 4(a)) and amounts with respect to assets held for sale (note 4(b)). The following audited table summarizes the assets held for sale and related liabilities as at December 31, 2005:

Reporting segments	Construction products Discontinued Operations	Window covering products Discontinued Operations	Home improvement products Discontinued Operations	Support Discontinued Operations	Total Discontinued Operations	Construction products Assets held for sale	Support Assets held for sale	Total Assets held for sale	Total
Cash	$ 2,160	$	$	$ 5,506	$ 7,666	$	$	$	$ 7,666
Accounts receivable	12,329	26	13,784	6,643	32,782	13,558		13,558	46,340
Inventories	12,990	745	16,057	10,361	40,153	9,268	81	9,349	49,502
Prepaid expenses	390	35	86	249	760	172	11	183	943
Property, plant and equipment				6,417	6,417		62,843	62,843	69,260
Investments				1	1				1
Other assets				881	881				881
Current assets held for sale	27,869	806	29,927	30,058	88,660	22,998	62,935	85,933	174,593
Property, plant and equipment	19,734	405	30,172	2,561	52,872	1,170	20,753	21,923	74,795
Investments	153		(68)		85	135		135	220
Goodwill	3,838				3,838	3,528	1,433	4,961	8,799
Other assets	169				169	5		5	174
Long-lived assets held for sale(1)	23,894	405	30,104	2,561	56,964	4,838	22,186	27,024	83,988
Bank indebtedness			30,383	7,313	37,696				37,696
Accounts payable and accrued liabilities	12,946	195	26,154	16,490	55,785	8,960	21	8,981	64,766
Term debt				1,110	1,110	6		6	1,116
Future income tax liabilities (assets)	(323)		6,392	(4,512)	1,557	(5)	1,679	1,674	3,231
Minority interest	694		394	4,190	5,278	525	6,414	6,939	12,217
Current liabilities held for sale	13,317	195	63,323	24,591	101,426	9,486	8,114	17,600	119,026
Net assets (liabilities) held for sale	$ 38,446	$ 1,016	$ (3,292)	$ 8,028	$ 44,198	$ 18,350	$ 77,007	$ 95,357	$ 139,555

(1) There were several companies whose long-lived assets were not reclassified as current assets held for sale because, either (a) the proceeds of the sale will not be realized within a year of the date of the balance sheet or (b) the sale of the assets was not complete as of the date of the balance sheet.

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

4. Discontinued Operations and Assets Held for Sale (Continued)

a) Discontinued operations:

In July 2005, the Company announced that the Board of Directors had approved initiatives to divest certain non-core business units and non-performing operations as part of the Management Improvement Plan aimed at improving financial performance and refinancing the Company.

Accordingly, the results of operations and financial position of certain non-core business units have been segregated and presented separately as discontinued operations and assets held for sale in the accompanying consolidated financial statements and related note disclosures. The values of these non-core businesses have been measured and presented at the lower of the carrying amount or fair value less cost to sell. An impairment charge of $167,565 (pre-tax) was recorded as the carrying value of these assets exceeded their market value. These non-core businesses and the reporting segment they pertain to are as follows:

(i) Construction products:

Royal Building Systems Argentina, Royal Building Systems Colombia, Royal Building Systems Mexico, Royal Building Systems Poland and Baron Metals Industries Inc.

(ii) Home improvement products:

Royal Alliance Inc.

(iii) Window covering products:

Royal Window Coverings LTDA (Brasil) and Novo Europe B.V.

(iv) Support:

Royal Ecoproducts Co. and Amut S.p.A.

The following tables show revenue and net after-tax results from discontinued operations for the twelve months ended December 31, 2005, the fifteen months ended December 31, 2004, the twelve months ended December 31, 2004, three months ended December 31, 2003 and twelve months ended September 30, 2003:

12 months ended December 31, 2005 (audited)	**Revenue**	**Earnings (loss) from operating activities**	**Impairment charge**	**Income tax recovery (expense)**	**Earnings (loss)**
Reporting segment:					
Construction products	$ 89,430	$ (1,239)	$ (98,233)	$ 9,645	$ (89,827)
Home improvement products	92,175	(1,700)	(33,767)	664	(34,803)
Window covering products	7,709	424	(3,596)	(113)	(3,285)
Support	48,530	(13,122)	(31,969)	11,410	(33,681)
Intercompany eliminations	(16,541)				

	$ 221,303	$ (15,637)	$ (167,565)	$ 21,606	$ (161,596)

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ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

4. Discontinued Operations and Assets Held for Sale (Continued)

15 months ended December 31, 2004 (audited)	Revenue	Earnings (loss) from operating activities	Impairment charge	Income tax recovery (expense)	Earnings (loss)
Reporting segment:					
Construction products	$ 111,775	$ (14,965)	$ (17,523)	$ (3,717)	$ (36,205)
Home improvement products	129,141	2,542		(2,886)	(344)
Window covering products	9,411	170		(19)	151
Support	88,566	(14,353)		4,826	(9,527)
Intercompany eliminations	(30,158)				
	$ 308,735	$ (26,606)	$ (17,523)	$ (1,796)	$ (45,925)

12 months ended December 31, 2004 (unaudited)	Revenue	Earnings (loss) from operating activities	Impairment charge	Income tax recovery (expense)	Earnings (loss)
Reporting segment:					
Construction products	$ 87,768	$ (13,247)	$ (17,523)	$ (2,206)	$ (32,976)
Home improvement products	107,323	2,418		(2,989)	(571)
Window covering products	7,503	106		(5)	101
Support	80,099	(10,772)		3,653	(7,119)
Intercompany eliminations	(26,606)				
	$ 256,087	$ (21,495)	$ (17,523)	$ (1,547)	$ (40,565)

3 months ended December 31, 2003 (unaudited)	Revenue	Earnings (loss) from operating activities	Impairment charge	Income tax recovery (expense)	Earnings (loss)
Reporting segment:					
Construction products	$ 24,007	$ (1,718)	$	$ (1,511)	$ (3,229)
Home improvement products	21,818	124		103	227
Window covering products	1,908	64		(14)	50
Support	8,467	(3,581)		1,173	(2,408)
Intercompany eliminations	(3,552)				
	$ 52,648	$ (5,111)	$	$ (249)	$ (5,360)

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

4. Discontinued Operations and Assets Held for Sale (Continued)

12 months ended September 30, 2003 (audited)	**Revenue**	**Earnings (loss) from operating activities**	**Impairment charge**	**Income tax recovery (expense)**	**Earnings (loss)**
Reporting segment:					
Construction products	$ 92,565	$ (21,674)	$ (23,416)	$ (6,307)	$ (51,397)
Home improvement products	107,802	(5,445)		2,025	(3,420)
Window covering products	7,359	287		(17)	270
Support	56,039	(16,574)		3,420	(13,154)
Intercompany eliminations	(14,877)				
	$ 248,888	$ (43,406)	$ (23,416)	$ (879)	$ (67,701)

(b) Assets held for sale:

(i) 2005:

As part of the Company s plan to divest certain non-core business units and non-performing operations, it had identified as of December 31, 2005, approximately 550 thousand square feet of excess real estate. The net assets related to these real estate properties have been identified, reclassified as assets held for sale and measured at their carrying amount. Subsequent to the year-end, the Company has identified additional assets, including excess manufacturing space which the Company expects to be sold during the remainder of 2006 (see note 28).

In addition, there are certain other business units the Company is looking to divest, which do not meet the criteria necessary to account for these entities as discontinued operations. Accordingly, the Company has identified and reclassified their net assets as held for sale at December 31, 2005.

The values of these non-core businesses have been measured and presented at the lower of the carrying amount or fair value less cost to sell. An impairment charge of $675 (pre-tax) was recorded as the carrying value of these assets exceeded their market value. The impairment charge was included in other items.

(ii) 2004:

In 2004, certain real estate and buildings with a carrying value of $6,051 were classified as held for sale and were measured at their fair value less disposal costs. An impairment charge of $950 (pre-tax) was recorded as the carrying value of these assets exceeded their market value. The impairment charge was included in operating expenses.

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ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

5. Interest in Joint Ventures

The Company s proportionate interest in joint ventures includes the following:

	As at December 31, 2005 (audited)	As at December 31, 2004 (audited)
Assets:		
Current assets	$ 10,222	$ 9,427
Property, plant and equipment	10,391	11,123
Other assets	161	127
	$ 20,774	$ 20,677
Liabilities:		
Current liabilities	$ 5,929	$ 4,290
Future income tax liabilities	1,381	1,419
Long-term liabilities	1,078	1,100
	8,388	6,809
Net assets	$ 12,386	$ 13,868

	12 months ended December 31, 2005 (audited)	15 months ended December 31, 2004 (audited)	12 months ended December 31, 2004 (unaudited)	3 months ended December 31, 2003 (unaudited)	12 months ended September 30, 2003 (audited)
Net sales	$ 46,302	$ 54,014	$ 43,385	$ 10,629	$ 41,766
Net earnings	3,250	3,928	2,716	1,212	3,153

	12 months ended December 31, 2005 (audited)	15 months ended December 31, 2004 (audited)	12 months ended December 31, 2004 (unaudited)	3 months ended December 31, 2003 (unaudited)	12 months ended September 30, 2003 (audited)
Cash provided by operating activities	$ 5,866	$ 4,655	$ 4,331	$ 324	$ 2,417
Acquisition of property, plant and equipment	366	1,378	1,053	325	705

The Company is contingently liable for the proportionate share of its joint venture partners liabilities but has recourse to the assets of the joint ventures.

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

6. Accounts Receivable

	As at December 31, 2005 (audited)	As at December 31, 2004 (audited)
Trade	$ 222,400	$ 261,275
Allowance for doubtful accounts	(19,512)	(19,696)
	202,888	241,579
Income taxes and other	25,696	15,767
	$ 228,584	$ 257,346

During 2003, the Company wrote-off $28,100 of accounts receivable of which $20,045 was recorded as part of continuing operations and the remaining $8,055 have been recorded as part of discontinued operations.

7. Inventories

	As at December 31, 2005 (audited)	As at December 31, 2004 (audited)
Raw materials and work in process	$ 112,988	$ 155,760
Finished goods	233,899	300,579
	$ 346,887	$ 456,339

During 2003, the Company wrote-off $53,799 of inventory of which $40,483 was recorded as part of continuing operations and the remaining $13,316 have been recorded as part of discontinued operations.

8. Property, Plant and Equipment

As at December 31, 2005 (audited)	Cost	Accumulated amortization	Net book value
Land	$ 66,882	$	$ 66,882
Buildings	418,881	100,797	318,084
Plant equipment	932,830	434,399	498,431
Dies and moulds	232,569	166,111	66,458
Office and computer equipment and computer software	43,089	37,275	5,814
Aircraft and transport equipment	17,554	14,560	2,994
	$ 1,711,805	$ 753,142	$ 958,663
Assets under construction	22,374		22,374
	$ 1,734,179	$ 753,142	$ 981,037

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

8. Property, Plant and Equipment (Continued)

As At December 31, 2004 (audited)	Cost	Accumulated amortization	Net book value
Land	$ 97,121	$	$ 97,121
Buildings	534,728	106,330	428,398
Plant equipment	1,075,568	457,700	617,868
Dies and moulds	273,137	165,279	107,858
Office and computer equipment and computer software	55,002	45,030	9,972
Aircraft and transport equipment	38,251	28,742	9,509
	$ 2,073,807	$ 803,081	$ 1,270,726
Assets under construction	53,823		53,823
	$ 2,127,630	$ 803,081	$ 1,324,549

	12 months ended December 31, 2005 (audited)	15 months ended December 31, 2004 (audited)	12 months ended December 31, 2004 (unaudited)	3 months ended December 31, 2003 (unaudited)	12 months ended September 30, 2003 (audited)
Amortization expense	$ 118,140	$ 143,596	$ 116,370	$ 27,226	$ 111,884

Assets under construction are expected to be placed into productive use during fiscal 2006 and consist of land and buildings under construction of $9,556 (2004 $9,933) and plant equipment under construction of $12,818 (2004 $43,890). Amortization of these assets begins once they are substantially completed and put into use. No interest was capitalized to assets under construction in the twelve months ended December 31, 2005 (2004 nil).

During 2005, as part of the Management Improvement Plan, the Company identified certain assets no longer being utilized. As a result of the review, a $50,268 pre-tax impairment charge was recognized in operating expenses in the fourth quarter which was measured as the excess of the impaired assets carrying value over their estimated fair value. Fair value was determined using appraised values based on prices for similar assets. The impaired assets are primarily related to equipment held in the custom profiles and mouldings, construction products and other business segments.

During 2004, the Company had recorded an impairment charge on the carrying amounts of property, plant and equipment of its Royal Building Systems operations. The fair value of the impaired assets was determined based on a valuation using a present value model as at the date of the impairment test. An impairment charge of $17,523 (Twelve months ended September 30, 2003 $23,416) was recorded and is included in the loss from discontinued operations.

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

8. Property, Plant and Equipment (Continued)

During 2003, the Company evaluated certain of its long-lived assets, including machinery and equipment and management information systems, with the decision to reposition or abandon these assets. As such, the Company wrote down these assets to their net realizable value and recorded a charge of $33,600. This charge is included in the cost of sales and operating expenses line of the consolidated statements of earnings. The long-lived assets associated with this charge are included in all segments of the Company s operations.

9. Other Assets

	As at December 31, 2005 (audited)	As at December 31, 2004 (audited)
Patents, net of accumulated amortization of $7,522 (2004 $6,657)	$ 5,935	$ 7,447
Deferred financing costs, net of accumulated amortization of $2,067 (2004 $1,810)	1,089	1,345
	7,024	8,792
Investments	4,324	35,733
	$ 11,348	$ 44,525

	12 months ended December 31, 2005 (audited)	15 months ended December 31, 2004 (audited)	12 months ended December 31, 2004 (unaudited)	3 months ended December 31, 2003 (unaudited)	12 months ended September 30, 2003 (audited)
Amortization of patents	$ 1,091	$ 2,529	$ 2,034	$ 495	$ 1,763
Amortization of deferred financing costs	257	329	263	66	280
Amortization expense	$ 1,348	$ 2,858	$ 2,297	$ 561	$ 2,043

Investments include the Company s holdings in associated companies and other business ventures accounted for by the equity and cost methods. During the implementation of the Management Improvement Plan, the Company recognized an impairment charge of $26,141 during the twelve months ended December 31, 2005, which is recorded in other items, on the equity investments held in Ariostea, Royal Building Systems Hawaii and Royal Building Systems Philippines. The impairment charge was calculated as the excess of the impaired investment s carrying values over their estimated fair values.

	12 months ended December 31, 2005 (audited)	15 months ended December 31, 2004 (audited)	12 months ended December 31, 2004 (unaudited)	3 months ended December 31, 2003 (unaudited)	12 months ended September 30, 2003 (audited)
Equity earnings (loss) in investments	$ (1,472)	$ (120)	$ (136)	$ 16	$ 200

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

10. Bank Indebtedness and Term Bank Loan

	As at December 31, 2005 (audited)	As at December 31, 2004 (audited)
Bank indebtedness	$ 158,789	$
Term bank loan		324,836

The Company entered into a credit agreement as of February 21, 2005 with a syndicate of three banks, which provides for a $312,500 committed, secured, multi-currency revolving credit facility to be made available to the Company and certain of its U.S. subsidiaries. The credit facility may be used for general operating and corporate purposes, and was initially drawn to repay the term bank loan owed under a previous credit agreement dated as of August 1, 2000. The credit facility is secured by a pledge of substantially all the assets of the Company and its subsidiaries, and by upstream guarantees from various non-borrowing subsidiaries. Under the terms of the credit agreement, the Company is required to satisfy various financial and other covenants, including the maintenance of certain financial ratios. At December 31, 2005, the Company was in compliance with these covenants. Subsequently, the Company announced it would delay reporting its year-end audited financial results. The Company obtained from its banking syndicate a sixty-day extension to the time for which it is required to provide the banking syndicate with audited year-end financial statements. The agreement was extended as of December 21, 2005, and matures December 31, 2006. This credit facility contains provisions to reduce the available limit to reflect any asset dispositions other than accounts receivable and inventory. Subsequent to the year end, the credit agreement was amended to reduce the available limit of the credit facility by an amount equal to all divestiture proceeds in excess of $100,000. (See note 28(f)).

Borrowings under the credit agreement are available at the Company s option by way of Canadian prime rate advances, base rate Canada advances, Canadian bankers acceptances, base rate U.S. advances, LIBOR advances or swingline advances, plus an interest rate margin, as well as by way of letters of credit.

In addition to the above, credit facilities totalling the equivalent of $68,487 (2004 $74,279) have been arranged with various local banks to assist the Company s international subsidiaries in funding their operations. The terms and conditions of these arrangements vary in accordance with local practices, and the Company has guaranteed repayment of some portion of all of the amounts drawn under certain of the facilities in the event of a default by the borrowing subsidiary. As of December 31, 2005, a total of $41,881 (2004 $41,268) was drawn under these facilities.

11. Accounts Payable and Accrued Liabilities

	As at December 31, 2005 (audited)	As at December 31, 2004 (audited)
Trade	$ 174,329	$ 197,213
Income taxes and other	100,417	71,135
	$ 274,746	$ 268,348

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

12. Term Debt

	As at December 31, 2005 (audited)	As at December 31, 2004 (audited)
7.17% U.S. $15 million Senior Unsecured Notes, Series A, due August 31, 2006	$ 17,489	$ 36,057
7.31% U.S. $25 million Senior Unsecured Notes, Series B, due August 31, 2006	29,147	30,048
7.10% U.S. $115 million Senior Unsecured Notes, Series D, due November 14, 2007	134,078	138,218
6.90% CDN$ Medium Term Notes, due April 13, 2010	116,532	116,532
3.5% U.S. $1.5 million Promissory Note, due May 22, 2007	377	662
	297,623	321,517
Less current portion	46,902	18,303
	$ 250,721	$ 303,214

Each of the Series A, Series B and Series D Senior Unsecured Notes is denominated in U.S. dollars and bears interest at the above rates, with interest payable quarterly in arrears. The Series A Notes require annual principal payments of U.S. $15,000 on August 31 of each year commencing in 2002. The Series B and Series D balances outstanding are due in full on the dates shown.

The Medium Term Notes are denominated in Canadian dollars, are senior unsecured obligations of the Company, and bear interest at 6.90% payable semi-annually in arrears. Various subsidiaries of the Company guarantee repayment of amounts due pursuant to the Trust Indenture under which the Medium Term Notes were issued.

The 3.5% Promissory Note is denominated in U.S. dollars and is repayable in monthly principal and interest payments to effect a 10 year amortization. The obligation is secured by an irrevocable standby letter of credit.

Aggregate principal payments required over the next five years as follows:

2006	$ 46,902
2007	134,189
2008	
2009	
2010	116,532
	$ 297,623

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

13. Capital Stock

The Company s authorized capital stock consists of the following:

(a) Preferred shares:

There is an unlimited number of authorized preferred shares without par value, issuable in series, with rights and terms of each series to be fixed by the Board of Directors prior to the issue of such series. No preferred shares are issued or outstanding.

(b) Common shares (formerly subordinated voting shares):

There is an unlimited number of common voting shares without par value. Each share is entitled to one vote per share at all meetings of shareholders and is entitled to dividends ranking junior to the preferred shares.

The following common shares have been issued:

	Common shares Shares	**Amount**	**Multiple voting Shares**	**Amount**	**Total Shares**	**Total Amount**
Balance, September 30, 2003	77,285,173	$ 616,076	15,935,444	$ 16,635	93,220,617	$ 632,711
Issued for cash under stock option plan	135,553	1,043			135,553	1,043
Balance, December 31, 2004	77,420,726	$ 617,119	15,935,444	$ 16,635	93,356,170	$ 633,754
Issued under restricted stock unit plan	88,332	1,112			88,332	1,112
Conversion of multiple voting shares to common shares	15,935,444	16,635	(15,935,444)	(16,635)		
Balance, December 31, 2005	93,444,502	$ 634,866		$	93,444,502	$ 634,866

(c) Multiple voting common shares:

As part of the Company s overall settlement with its former controlling shareholder, as described in note 2 to the consolidated financial statements, the outstanding multiple voting shares that were directly or indirectly owned by the former controlling shareholder were converted on a one-for-one basis into subordinate voting shares during the second quarter ended June 30, 2005.

Subsequently, the Company filed Articles of Amendment to remove the multiple voting shares and the subordinated voting shares as well as rights, privileges, restrictions and conditions attached thereto and replaced them with one class of voting common shares.

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

13. Capital Stock (Continued)

(d) Stock option plan:

The Company maintains a stock option plan to allow management and key operating personnel to purchase common shares. The stock options that have been granted have either an exercise date three years from the date of issue or six years from the date of issue. The maximum number of common shares reserved to be issued for stock options cannot exceed 7,830,533 and all stock options expire nine years after the date of issue.

The following table summarizes the stock options that have been issued:

	As at December 31, 2005		As at December 31, 2004	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	3,067,953	$ 27.78	9,107,217	$ 27.10
Granted	275,000	12.44		
Exercised			(135,553)	7.69
Cancelled/expired	(150,125)	26.94	(5,903,711)	27.19
Balance, end of period	3,192,828	$ 26.50	3,067,953	$ 27.78
Options exercisable, end of period	2,566,828	$ 28.03	2,583,453	$ 27.83

The 2004 cancelled/expired stock options included 3,478,181 stock options that were exchanged for 315,613 RSUs.

The following table summarizes information about stock options outstanding at December 31, 2005:

	Options outstanding			Options exercisable	
Range of exercise prices per share	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$10.60 - $20.00	677,450	5.81	$ 16.66	367,450	$ 19.67
$20.50 - $25.00	770,000	2.03	24.44	767,500	24.45
$26.00 - $31.80	882,000	3.04	27.80	568,500	28.12
$32.45 - $42.25	863,378	0.81	34.71	863,378	34.71
	3,192,828		$ 26.50	2,566,828	$ 28.03

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

13. Capital Stock (Continued)

The table below shows the assumptions used in determining stock-based compensation expense under the Black-Scholes option pricing model during the twelve months ended December 31, 2005. No options were granted in 2004.

Risk-free interest rate	3.9%
Expected life	5.3 years
Expected volatility	52.4%
Dividend yield	
Weighted average fair value of options granted	$ 6.30

After-tax compensation expense recorded in the period related to stock options issued after October 1, 2002 is as follows:

	12 months ended December 31, 2005 (audited)	15 months ended December 31, 2004 (audited)	12 months ended December 31, 2004 (unaudited)	3 months ended December 31, 2003 (unaudited)	12 months ended September 30, 2003 (audited)
Compensation expense related to stock options	$ 281	$ 45	$ 39	$ 6	$ 74

(e) Senior Management Incentive Plan (SMIP):

During 2004, the Company established the SMIP to provide for the issuance of a maximum of 1,400,000 RSUs. On July 2, 2004, 1,395,000 RSUs were granted to approximately 60 senior employees and members of senior management of the Company. Each RSU entitles the participant to receive one common share or an equivalent cash payment on the entitlement date provided that the vesting criteria are satisfied, including performance-based criteria established in respect of the participant s grant of RSUs. It is the Company s intention to settle in common shares on the entitlement date. RSUs are valued at their fair market value on the grant date and compensation expense related to the SMIP is recognized evenly over the vesting period based on the total compensation to be paid out at the entitlement date. The counterpart is recorded as contributed surplus.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

13. Capital Stock (Continued)

The following table summarizes the RSUs that have been issued:

	As at December 31, 2005 (audited)	**As at December 31, 2004 (audited)**
Balance, beginning of period	1,020,000	
Granted	305,000	1,395,000
Exercised		
Cancelled	(110,000)	(375,000)
Balance, end of period	1,215,000	1,020,000

After-tax compensation expense recorded in the period related to RSUs issued after 2003 is as follows:

	12 months ended December 31, 2005 (audited)	**15 months ended December 31, 2004 (audited)**	**12 months ended December 31, 2004 (unaudited)**	**3 months ended December 31, 2003 (unaudited)**	**12 months ended September 30, 2003 (audited)**
Compensation expense related to RSUs	$ 5,148	$ 2,472	$ 2,472	$	$

(f) Restricted Stock Unit Plan (RSUP):

During 2004, the Company established the RSUP for the purpose of offering an exchange of options granted under the Company s Long-Term Incentive Plan (formerly the Company s 1994 Stock Option Plan). On July 2, 2004, 315,613 RSUs were granted to approximately 600 employees of the Company in exchange for 3,478,181 stock options granted under the Company s Long-Term Incentive Plan. Each RSU entitles the participant to receive one common share (formerly the Company s subordinate voting share) or an equivalent cash payment on the entitlement date. At the settlement date of December 31, 2004, 88,322 RSUs elected to settle in common shares and 219,310 RSUs elected to settlement in cash based upon the closing price of the Company s common shares at December 31, 2004 of $12.59. Both the issuance of common shares and cash payment were made subsequently in 2005. Additionally, 7,981 RSUs were cancelled. Total compensation expense recorded in 2004 was $3,873, of which $1,112 relating to RSUs which elected share settlement, was credited to contributed surplus.

The RSUP ceased in 2005.

(g) Directors Deferred Stock Unit Plan (DSUP):

The Company maintains a DSUP for the benefit of the members of the Board of Directors. Under the DSUP, a number of notional deferred stock units equal to the dollar value of each participant s quarterly award, as determined at the end of the second and fourth quarters of

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

13. Capital Stock (Continued)

each fiscal year by the Compensation Committee, are held in a deferral account. In addition, each Director may also elect to defer all or any portion of their Director Fees, referred to as deferred fees, divided by the unit value, into the deferral account. The unit value on any date is equal to the average of the closing prices of the shares on the Toronto Stock Exchange on the ten trading days immediately prior to such date. Directors are not permitted to convert units into cash until retirement from the Board. There were 107,988 deferred stock units outstanding at December 31, 2005 (2004-nil) with a total recorded value of $1,123 (2004-nil).

14. Contributed Surplus

	As at December 31, 2005 (audited)	As at December 31, 2004 (audited)
Contributed surplus, beginning of period	$ 3,703	$ 74
SMIP compensation (note 13(e))	5,148	2,472
RSUP compensation (note 13(f))		1,112
Stock options (note 13(d))	281	45
Exercise of RSUs under the RSUP (note 13(f))	(1,112)	
Contributed surplus, end of period	$ 8,020	$ 3,703

15. Earnings (Loss) per Share

Basic and diluted earnings (loss) per share have been calculated using the weighted average method. The maximum dilutive number of shares has been calculated using the treasury stock method:

12 months ended December 31, 2005 (audited)	Continuing operations	Discontinued operations	Total
Basic and diluted loss per share			
Net loss	$ (108,846)	$ (161,596)	$ (270,442)
Basic loss per share	$ (1.16)	$ (1.73)	$ (2.89)
Diluted loss per share	(1.16)	(1.73)	(2.89)
Weighted average shares outstanding			
Basic	93,437,705	93,437,705	93,437,705
Effect of dilutive securities	1,131,226	1,131,226	1,131,226
Diluted*	94,568,931	94,568,931	94,568,931
Excluded as anti-dilutive**	3,092,828	3,092,828	3,092,828

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

15. Earnings (Loss) per Share (Continued)

15 months ended December 31, 2004 (audited)	**Continuing operations**	**Discontinued operations**	**Total**
Basic and diluted earnings (loss) per share			
Net earnings (loss)	$ 82,774	$ (45,925)	$ 36,849
Basic earnings (loss) per share	$ 0.88	$ (0.49)	$ 0.39
Diluted earnings (loss) per share	0.87	(0.49)	0.39
Weighted average shares outstanding			
Basic	93,342,490	93,342,490	93,342,490
Effect of dilutive securities	1,420,822		1,420,822
Diluted	94,763,312	93,342,490	94,763,312
Excluded as anti-dilutive**	3,067,953	3,067,953	3,067,953

12 months ended December 31, 2004 (unaudited)	**Continuing operations**	**Discontinued operations**	**Total**
Basic and diluted earnings (loss) per share			
Net earnings (loss)	$ 73,688	$ (40,565)	$ 33,123
Basic earnings (loss) per share	$ 0.78	$ (0.43)	$ 0.35
Diluted earnings (loss) per share	0.78	(0.43)	0.35
Weighted average shares outstanding			
Basic	93,352,973	93,352,973	93,352,973
Effect of dilutive securities	1,420,822		1,420,822
Diluted	94,773,795	93,352,973	94,773,795
Excluded as anti-dilutive**	3,067,953	3,067,953	3,067,953

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

15. Earnings (Loss) per Share (Continued)

3 months ended December 31, 2003 (unaudited)	**Continuing operations**	**Discontinued operations**	**Total**
Basic and diluted earnings (loss) per share			
Net earnings (loss)	$ 9,086	$ (5,360)	$ 3,726
Basic earnings (loss) per share	$ 0.10	$ (0.06)	$ 0.04
Diluted earnings (loss) per share	0.10	(0.06)	0.04
Weighted average shares outstanding			
Basic	93,308,948	93,308,948	93,308,948
Effect of dilutive securities			
Diluted	93,308,948	93,308,948	93,308,948
Excluded as anti-dilutive**	7,907,714	7,907,714	7,907,714

12 months ended September 30, 2003 (audited)	**Continuing operations**	**Discontinued operations**	**Total**
Basic and diluted earnings (loss) per share			
Net earnings (loss)	$ 9,490	$ (67,701)	$ (58,211)
Basic earnings (loss) per share	$ 0.10	$ (0.72)	$ (0.62)
Diluted earnings (loss) per share	0.10	(0.72)	(0.62)
Weighted average shares outstanding			
Basic	93,219,925	93,219,925	93,219,925
Effect of dilutive securities	83,642	-	83,642
Diluted*	93,303,567	93,219,925	93,303,567
Excluded as anti-dilutive**	8,039,698	8,039,698	8,039,698

* Due to the net loss for both the twelve months ended December 31, 2005 and the 12 months ended September 30, 2003, diluted loss per share has been calculated using the basic weighted average number of common shares outstanding, as the inclusion of any potential dilutive securities would be anti-dilutive.

** Excluded from the calculation of diluted net earning (loss) per share because the exercise price of the stock options was greater than or equal to the average price of the common shares.

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Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

16. Interest and Financing Charges

	12 months ended December 31, 2005 (audited)	15 months ended December 31, 2004 (audited)	12 months ended December 31, 2004 (unaudited)	3 months ended December 31, 2003 (unaudited)	12 months ended September 30, 2003 (audited)
Interest expense (income):					
Operating	$ (4,276)	$ (698)	$ (1,615)	$ 917	$ 4,087
Term debt	22,423	32,386	24,917	7,469	30,172
Bank and financing charges	7,037	2,820	2,585	235	4,917
Amortization of deferred financing costs	257	329	263	66	280
	$ 25,441	$ 34,837	$ 26,150	$ 8,687	$ 39,456

17. Other Items

	12 months ended December 31, 2005 (audited)	15 months ended December 31, 2004 (audited)	12 months ended December 31, 2004 (unaudited)	3 months ended December 31, 2003 (unaudited)	12 months ended September 30, 2003 (audited)
Impairment charge	$ 26,816	$	$	$	$ 14,027
Restructuring costs	538				
Other	2,235				2,960
	$ 29,589	$	$	$	$ 16,987

During the implementation of the Management Improvement Plan, the Company recognized an impairment charge of $26,141 on the equity investments held in Ariostea, Royal Building Systems Hawaii and Royal Building Systems Philippines. The impairment charge was calculated as the excess of the impaired investment s carrying values over their estimate fair values. In addition, the Company has recognized an impairment loss of $675 on non-core businesses the Company has identified as held for sale. These non-core businesses have been measured and presented at the lower of the carrying amount or fair value less costs to sell. The impairment charge was recorded as the carrying value of these assets exceeded their market value.

During the twelve months ended September 30, 2003, the Company recognized an impairment charge of $14,027 primarily related to a write down of promotional material in connection with the decision to exit from certain retail window covering programs in the United States and a write down on the equity investments held in Royal Building Systems Philippines.

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Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

18. Income Taxes

Total income tax expense (recovery) for the twelve months ended December 31, 2005, fifteen months ended December 31, 2004, twelve months ended December 31, 2004, three months ended December 31, 2003 and the twelve months ended September 30, 2003 are allocated as follows:

	12 months ended December 31, 2005 (audited)	15 months ended December 31, 2004 (audited)	12 months ended December 31, 2004 (unaudited)	3 months ended December 31, 2003 (unaudited)	12 months ended September 30, 2003 (audited)
Earnings (loss) before income taxes and minority interest:					
Canadian operations	$ (67,207)	$ 105,121	$ 73,149	$ 31,972	$ 82,809
Foreign operations	(33,762)	15,112	18,400	(3,288)	(78,265)
	$ (100,969)	$ 120,233	$ 91,549	$ 28,684	$ 4,544
Current income tax expense:					
Canadian operations	$ 18,943	$ 9,411	$ 6,442	$ 2,969	$ 7,206
Foreign operations	118	3,653	3,501	152	177
	19,061	13,064	9,943	3,121	7,383
Future income tax expense (recovery):					
Canadian operations	(26,751)	23,743	6,060	17,683	11,715
Foreign operations	16,151	357	1,573	(1,216)	(24,460)
	(10,600)	24,100	7,633	16,467	(12,745)
	$ 8,461	$ 37,164	$ 17,576	$ 19,588	$ (5,362)

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(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

18. Income Taxes (Continued)

The following summarizes the recognition of income tax expense (recovery) using a weighted average income tax rate (as a reference point only in that there is no single jurisdiction in which the Company operates that is predominant or for which there is a more appropriate rate) compared with the Company s actual income tax expense. The weighted average rate has been determined based on the proportion of the statutory rate in each jurisdiction to the earnings (loss) before income taxes and minority interest attributable to each jurisdiction.

	12 months ended December 31, 2005 (audited)	15 months ended December 31, 2004 (audited)	12 months ended December 31, 2004 (unaudited)	3 months ended December 31, 2003 (unaudited)	12 months ended September 30, 2003 (audited)
Earnings (loss) before income taxes and minority interest	$ (100,969)	$ 120,233	$ 91,549	$ 28,684	$ 4,544
Effective tax rate	34.12 %	34.12 %	34.12 %	34.12 %	33.12 %
Expected income taxes (recovery) based on an effective manufacturing and processing income tax rate of approximately 34.12% (September 2003 33.12%)	$ (34,451)	$ 41,023	$ 31,236	$ 9,787	$ 1,505
Changes in income taxes attributed to:					
Adjustment to future income tax assets and liabilities for enacted changes in tax laws and rates		13,000		13,000	(565)
Non-deductible expenses and other foreign tax differences	(7,563)	(20,189)	(17,786)	(2,403)	(10,535)
Large Corporations Tax and other	8,128	5,086	4,942	144	4,541
Valuation allowance on U.S. tax attributes	26,002	1,000	1,000		
Canadian non-deductible expenses	16,345	(2,756)	(1,816)	(948)	(308)
	$ 8,461	$ 37,164	$ 17,576	$ 19,588	$ (5,362)

The Company has been granted tax incentives for its Poland and China subsidiaries. These incentives are subject to certain conditions with which the Company expects to comply.

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ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

18. Income Taxes (Continued)

Future income tax assets arise from available income tax losses and future income tax deductions. The Company s ability to use these income tax losses and future income tax deductions is dependent upon the results of the operations of the Company in the tax jurisdictions in which such losses or deductions arose. The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 2005 and 2004 are presented below. As a result of a change in disclosure practice, at December 31, 2005, $29,076 was reclassified from future tax liability to current taxes payable.

	As at December 31, 2005 (audited)	**As at December 31, 2004 (audited)**
U.S. Region		
Future income tax assets:		
Non-capital loss carry forwards	$ 33,742	$ 31,872
Interest expense carry forwards	12,806	10,625
Deductible reserves	10,491	9,090
Other	2,449	350
	$ 59,488	$ 51,937
Future income tax liabilities:		
Capital assets	$ 31,115	$ 31,335
Other	1,371	3,041
	$ 32,486	$ 34,376
Future income tax assets	$ 27,002	$ 17,561
Less valuation allowance	27,002	1,000
Future income tax assets	$	$ 16,561

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

18. Income Taxes (Continued)

	As at December 31, 2005 (audited)	As at December 31, 2004 (audited)
Canadian Region		
Future income tax assets:		
Non-capital loss carry forwards	$ 27,312	$ 17,795
Tax credits	26,074	12,161
Deductible reserves	11,328	8,049
Other	1,112	987
	$ 65,826	$ 38,992
Future income tax liabilities:		
Capital assets	$ 130,716	$ 137,834
Unrealized foreign exchange gain	9,932	6,127
Other	88	44,080
	$ 140,736	$ 188,041
Future income tax liabilities	$ (74,910)	$ (149,049)

As at December 31, 2005, the Company had operating loss carry forwards of $136,905 in the U.S. A summary of these operating loss carry forwards by year of expiry is as follows:

U.S. losses:	
2021	$ 34,575
2022	37,006
2023	12,371
2024	6,764
2025	8,525
Indefinite	37,664
	$ 136,905

As at December 31, 2005, the Company had operating loss carryfowards of $80,047 in Canada. These operating loss carryfowards have an expiry date of 2010 or later.

19. Segment Reporting Data

Operating segments are defined as components of an enterprise about which separate financial information is available and which are evaluated regularly by the chief financial decision-makers in deciding how to allocate resources and in assessing performance.

Historically, the Company s segmented financial reporting structure was developed to show the two very distinct operations of the Company, the Products and Support operations. This structure showed

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

19. Segment Reporting Data (Continued)

the importance of the Company s extensive vertical integration and allowed for the measurement of the profitability of each of these operations. However, as a result of the new management team and the development of a comprehensive Management Improvement Plan, it was determined that the segments should change to better reflect how the new management views the operations of the Company going forward. The following table summarizes the new segments the Company will report on.

Reportable segments	**Core product divisions**
Custom profiles & mouldings	Custom Window Profiles and Interior & Exterior Mouldings
Building products	Exterior Cladding
Construction products	Pipe and Fittings and Building Systems
Home improvement products	Deck, Fence and Railing and Outdoor Storage
Window covering products	Window Coverings
Materials	Materials (Resins, Additives, PVC and Recycling)
Support	Real Estate

Performance is evaluated based on pre-tax earnings before amortization and interest and return on invested capital. The Company sells to a broad range of customers, none of which account for more than 7.1% (2004 6.8%) of net sales.

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

19. Segment Reporting Data (Continued)

The following tables present financial information from continuing operations and do not include amounts classified as assets held for sale. Segment information for assets held for sale is contained in note 4.

The accounting policies for each of the segments are the same as those described in note 1. Inter-segment transactions are negotiated as if the transactions were to third parties, at market prices.

12 months ended December 31, 2005 (audited)	**Custom profiles & mouldings**	**Building products**	**Construction products**	**Home improvement products**	**Window covering products**	**Materials**	**Support**	**Total**
Gross sales	$ 977,194	$ 325,158	$ 340,516	$ 159,222	$ 153,423	$ 248,047	$ 100,813	$ 2,304,373
Eliminations	249,946	210	7,889	3,431	17,345	231,702	97,497	608,020
Net sales	$ 727,248	$ 324,948	$ 332,627	$ 155,791	$ 136,078	$ 16,345	$ 3,316	$ 1,696,353
Gross profit	$ 188,770	$ 75,399	$ 60,156	$ 8,715	$ 22,292	$ 36,942	$ 5,989	$ 398,263
Pre-tax earnings (loss) before amortization and interest	60,723	2,943	(4,050)	(5,130)	(6,870)	13,356	12,320	73,292
Amortization charges	53,545	5,566	13,835	10,735	6,593	11,270	17,687	119,231
Acquisition of property, plant and equipment and goodwill	32,898	5,466	6,081	14,402	1,652	4,941	1,000	66,440
Goodwill	109,328	20,248	20,342	13,887	11,824	9,400	9,326	194,355
Total assets	552,165	170,032	259,655	99,083	109,322	195,595	391,820	1,777,672

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ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

19. Segment Reporting Data (Continued)

The accounting policies for each of the segments are the same as those described in note 1. Inter-segment transactions are negotiated as if the transactions were to third parties, at market prices.

15 months ended December 31, 2004 (audited)	**Custom profiles & mouldings**	**Building products**	**Construction products**	**Home improvement products**	**Window covering products**	**Materials**	**Support**	**Total**
Gross sales	$ 1,237,090	$ 385,509	$ 353,407	$ 169,952	$ 219,802	$ 249,613	$ 125,686	$ 2,741,059
Eliminations	316,191	255	8,839	1,539	35,833	228,200	123,806	714,663
Net sales	$ 920,899	$ 385,254	$ 344,568	$ 168,413	$ 183,969	$ 21,413	$ 1,880	$ 2,026,396
Gross profit	$ 307,966	$ 100,423	$ 62,965	$ 18,796	$ 22,987	$ 53,433	$ 1,945	$ 568,515
Pre-tax earnings (loss) before amortization and interest	226,269	20,361	(3,611)	(432)	(18,433)	40,324	36,717	301,195
Amortization charges	62,503	7,273	18,281	11,354	11,447	13,223	22,044	146,125
Acquisition of property, plant and equipment and goodwill	47,327	5,511	16,166	11,542	5,041	10,969	3,169	99,725
Goodwill	114,696	21,404	25,342	19,420	12,499	10,193	10,066	213,620
Total assets	631,237	187,136	467,835	228,293	158,686	218,258	547,476	2,438,921

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

19. Segment Reporting Data (continued)

The accounting policies for each of the segments are the same as those described in note 1. Inter-segment transactions are negotiated as if the transactions were to third parties, at market prices.

12 months ended December 31, 2004 (unaudited)	**Custom profiles & mouldings**	**Building products**	**Construction products**	**Home improvement products**	**Window covering products**	**Materials**	**Support**	**Total**
Gross sales	$ 995,164	$ 315,169	$ 295,789	$ 150,011	$ 180,058	$ 201,361	$ 100,846	$ 2,238,398
Eliminations	251,174	203	8,066	1,055	30,802	183,718	98,719	573,737
Net sales	$ 743,990	$ 314,966	$ 287,723	$ 148,956	$ 149,256	$ 17,643	$ 2,127	$ 1,664,661
Gross profit (loss)	$ 242,842	$ 81,816	$ 56,006	$ 18,572	$ 14,818	$ 43,964	$ (1,067)	$ 456,951
Pre-tax earnings (loss) before amortization and interest	175,721	15,420	(187)	1,712	(19,427)	32,999	29,865	236,103
Amortization charges	50,651	5,873	14,553	9,374	9,271	10,409	18,273	118,404
Acquisition of property, plant and equipment and goodwill	37,581	4,846	13,650	10,310	4,412	9,512	3,362	83,673

3 months ended December 31, 2003 (unaudited)	**Custom profiles & mouldings**	**Building products**	**Construction products**	**Home improvement products**	**Window covering products**	**Materials**	**Support**	**Total**
Gross sales	$ 241,926	$ 70,340	$ 57,618	$ 19,941	$ 39,744	$ 48,252	$ 24,840	$ 502,661
Eliminations	65,017	52	773	484	5,031	44,482	25,087	140,926
Net sales	$ 176,909	$ 70,288	$ 56,845	$ 19,457	$ 34,713	$ 3,770	$ (247)	$ 361,735
Gross profit	$ 65,124	$ 18,607	$ 6,959	$ 224	$ 8,169	$ 9,469	$ 3,012	$ 111,564
Pre-tax earnings (loss) before amortization and interest	50,548	4,941	(3,424)	(2,144)	994	7,325	6,852	65,092
Amortization charges	11,852	1,400	3,728	1,980	2,176	2,814	3,771	27,721
Acquisition of property, plant and equipment and goodwill	9,746	665	2,516	1,232	629	1,457	(193)	16,052

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

19. Segment Reporting Data (Continued)

The accounting policies for each of the segments are the same as those described in note 1. Inter-segment transactions are negotiated as if the transactions were to third parties, at market prices.

12 months ended September 30, 2003 (audited)	Custom profiles & mouldings	Building products	Construction products	Home improvement products	Window covering products	Materials	Support	Total
Gross sales	$ 944,733	$ 309,341	$ 251,484	$ 142,920	$ 223,217	$ 205,242	$ 109,005	$ 2,185,942
Eliminations	229,804	114	322	1,355	20,694	192,262	104,882	549,433
Net sales	$ 714,929	$ 309,227	$ 251,162	$ 141,565	$ 202,523	$ 12,980	$ 4,123	$ 1,636,509
Gross profit (loss)	$ 206,340	$ 87,287	$ 30,913	$ 25,218	$ 33,189	$ 44,647	$ (25,927)	$ 401,667
Pre-tax earnings (loss) before amortization and interest	135,423	21,894	(12,455)	4,683	(14,701)	33,287	(10,484)	157,647
Amortization charges	49,381	5,295	13,534	6,998	12,684	11,631	14,124	113,647
Acquisition of property, plant and equipment and goodwill	27,917	6,391	28,236	8,909	5,204	17,395	2,406	96,458

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

19. Segment Reporting Data (Continued)

Certain information with respect to geographic regions is presented below:

As At December 31, 2005 (audited)	**Canada**	**U.S.**	**Other**	**Total**
Property, plant and equipment	$ 733,680	$ 219,261	$ 28,096	$ 981,037
Goodwill	70,838	117,506	6,011	194,355

As At December 31, 2004 (audited)	**Canada**	**U.S.**	**Other**	**Total**
Property, plant and equipment	$ 988,803	$ 233,027	$ 102,719	$ 1,324,549
Goodwill	84,470	118,637	10,513	213,620

12 months ended December 31, 2005 (audited)	**Net sales Canada**	**U.S.**	**Other**	**Total**	
Manufactured by:					
Canadian operations	$ 602,005	$ 436,353	$ 12,054	$ 1,050,412	62 %
U.S. operations	9,575	619,888	2,266	631,729	37 %
Other operations	108	1,108	12,996	14,212	1 %
	$ 611,688	$ 1,057,349	$ 27,316	$ 1,696,353	
	36 %	62 %	2 %		100 %

15 months ended December 31, 2004 (audited)	**Net sales Canada**	**U.S.**	**Other**	**Total**	
Manufactured by:					
Canadian operations	$ 700,644	$ 537,917	$ 14,229	$ 1,252,790	62 %
U.S. operations	10,337	745,178	2,533	758,048	37 %
Other operations	130	1,288	14,140	15,558	1 %
	$ 711,111	$ 1,284,383	$ 30,902	$ 2,026,396	
	35 %	63 %	2 %		100 %

12 months ended December 31, 2004 (unaudited)	**Net sales Canada**	**U.S.**	**Other**	**Total**	
Manufactured by:					
Canadian operations	$ 576,105	$ 446,323	$ 12,913	$ 1,035,341	62 %
U.S. operations	10,303	603,324	2,196	615,823	37 %
Other operations	130	1,267	12,100	13,497	1 %
	$ 586,538	$ 1,050,914	$ 27,209	$ 1,664,661	
	35 %	63 %	2 %		100 %

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

19. Segment Reporting Data (Continued)

3 months ended December 31, 2003 (unaudited)	Net sales Canada	U.S.	Other	Total	
Manufactured by:					
Canadian operations	$ 124,539	$ 91,594	$ 1,316	$ 217,449	60 %
U.S. operations	34	141,854	337	142,225	39 %
Other operations		21	2,040	2,061	1 %
	$ 124,573	$ 233,469	$ 3,693	$ 361,735	
	34 %	65 %	1 %		100 %

12 months ended September 30, 2003 (audited)	Net sales Canada	U.S.	Other	Total	
Manufactured by:					
Canadian operations	$ 535,480	$ 428,688	$ 5,182	$ 969,350	59 %
U.S. operations	202	647,844	2,668	650,714	40 %
Other operations		1,096	15,349	16,445	1 %
	$ 535,682	$ 1,077,628	$ 23,199	$ 1,636,509	
	33 %	66 %	1 %		100 %

20. Supplemental Cash Flow Information

(a) Items not affecting cash (bank indebtedness) of continuing operations:

	12 months ended December 31, 2005 (audited)	**15 months ended December 31, 2004 (audited)**	**12 months ended December 31, 2004 (unaudited)**	**3 months ended December 31, 2003 (unaudited)**	**12 months ended September 30, 2003 (audited)**
Loss on write-down of businesses	$ 34,083	$	$	$	$
Amortization charges	119,231	146,125	118,404	27,721	113,647
Amortization of deferred financing costs	257	329	263	66	280
Future income taxes	(41,200)	28,378	11,791	16,587	(13,498)
Asset write-downs	50,268	17,523	16,308	1,215	158,200
Other	27,022	(2,020)	(13,744)	11,724	(21,232)
Cash provided	$ 189,661	$ 190,335	$ 133,022	$ 57,313	$ 237,397

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

20. Supplemental Cash Flow Information (Continued)

(b) Change in non-cash working capital:

	12 months ended December 31, 2005 (audited)	**15 months ended December 31, 2004 (audited)**	**12 months ended December 31, 2004 (unaudited)**	**3 months ended December 31, 2003 (unaudited)**	**12 months ended September 30, 2003 (audited)**
Accounts receivable	$ (51,248)	$ 67,762	$ 10,015	$ 57,747	$ 16,329
Inventories	5,753	(78,475)	(36,157)	(42,318)	39,347
Prepaid expenses	(9,989)	9,727	4,498	5,229	(4,285)
Accounts payable and accrued liabilities	86,816	26,422	37,071	(10,649)	(5,447)
Cash provided	$ 31,332	$ 25,436	$ 15,427	$ 10,009	$ 45,944

The changes noted above are exclusive of non-cash working capital acquired through acquisitions.

21. Financial Instruments and Risk Management

(a) Derivative financial instruments:

The Company does not currently hold or issue derivative financial instruments.

(b) Fair values of financial instruments:

The Company s accounts receivable, bank indebtedness and accounts payable and accrued liabilities generally have short-term maturities. As a result, their fair values approximate their carrying values as recorded in the Company s consolidated balance sheets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

21. Financial Instruments and Risk Management (Continued)

The following table presents the carrying values and the estimated fair values of the Company s long-term debt instruments. Fair value estimates are based on a discounted cash flow approach, which discounts scheduled payments to present value using current market yields for debt with similar terms and risks. The estimates involve the use of assumptions and judgments and changes in the assumptions used could significantly affect the fair value estimates calculated. The estimates are made at a specific point in time and may not be reflective of future market conditions.

	As at December 31, 2005 (audited)		**As at December 31, 2004 (audited)**	
	Carrying amount	**Estimated fair value**	**Carrying amount**	**Estimated fair value**
7.17% U.S. $15 million Senior Unsecured notes, Series A, due August 31, 2006	$ 17,489	$ 17,266	$ 36,057	$ 38,966
7.31% U.S. $25 million Senior Unsecured Notes, Series B, due August 31, 2006	29,147	28,801	30,048	32,443
7.10% U.S. $115 million Senior Unsecured Notes, Series D, due November 14, 2007	134,078	129,371	138,218	148,623
6.9% CDN$ Medium Term Notes, due April 13, 2010	116,532	109,276	116,532	131,522

(c) Credit risk:

The Company is exposed to credit risk under its commercial activities, which include shipping goods to customers deemed to be creditworthy in advance of receiving payment. Accounts receivable are not subject to any significant concentrations of credit risk due to the diversification of the Company s customer base. The Company manages credit risk by evaluating its customers creditworthiness on an ongoing basis, and additionally purchases credit risk insurance for certain receivables to insure against the risk of loss in excess of an agreed deductible.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

22. Commitments

(a) Leases:

The Company is a lessee under operating leases with third party lessors for various real estate assets, as well as for manufacturing and other equipment. Such operating lease agreements require periodic lease payments by the Company in return for use of the property, and are generally subject to a minimum fixed term, with penalties for early termination. The future minimum lease payments at December 31, 2005 are as follows:

2006	$ 25,939
2007	11,514
2008	9,389
2009	6,767
2010	3,356
Thereafter	2,103
	$ 59,068

(b) Long-term agreement:

The Company has a long-term agreement with Westlake Vinyls Inc. (Westlake) for the annual purchase of up to 460 million pounds of vinyl chloride monomer. The agreement with Westlake had a pricing mechanism that was linked to data published in two industry trade magazines. On January 1, 2006, one of the trade magazines ceased publishing the pricing information. On April 7, 2006, the Company filed a Notice of Application seeking a court order declaring that this long-term agreement with Westlake is void and unenforceable. Subsequently, Westlake filed its own application seeking a determination that the supply agreement is valid. In efforts to resolve this dispute, the Company and Westlake entered into discussions aimed at arriving at a new mutually agreed pricing mechanism. Those discussions did not result in an agreement and the applications by the parties are now scheduled to be heard by the court in late October 2006.

23. Contingencies

In December 2004, two shareholders filed securities fraud lawsuits against the Company and certain of its former officers and directors in the United States District Court for the Southern District of New York. These punitive class action lawsuits were consolidated on March 10, 2005 and named *In re Royal Group Technologies Securities Litigation*, 04 CV 9809 (HB) (S.D.N.Y.). The Lead Plaintiffs appointed by the Court filed a consolidated amended class action complaint on May 5, 2005, alleging that defendants violated U.S. securities laws by, among other things, failing to disclose certain related-party transactions. The Lead Plaintiffs sought to bring the action on behalf of a class of all persons who purchased or otherwise acquired the common stock of the Company between February 24, 2000 and October 18, 2004. The defendants moved to dismiss the consolidated class action lawsuit on July 15, 2005. On

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

23. Contingencies (Continued)

November 21, 2005, the Court issued an Opinion and Order dismissing the consolidated lawsuit without prejudice on the grounds that a Canadian court would provide a more convenient forum. The Court entered judgment in favour of the Company on November 22, 2005. Plaintiffs did not appeal the Court s decision to the United States Court of Appeals.

The Company and certain of its former officers and directors have been named as defendants in two shareholder lawsuits filed in the United States District Court for the Southern District of New York that seek class action status. The first complaint was filed on February 2, 2006. The second complaint was filed on February 3, 2006. Both of these actions purport to be brought on behalf of:

(a) All United States citizens and entities that purchased or otherwise acquired the common stock of Royal Group on the New York Stock Exchange or the Toronto Stock Exchange; and

(b) All foreign persons and entities that purchased or otherwise acquired the common stock of Royal Group on the New York Stock Exchange between February 24, 2000 and October 18, 2004.

Plaintiffs in both actions allege that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by, among other things, failing to disclose certain related-party transactions. The complaints each seek certification of the putative class, unspecified damages, reasonable costs and attorneys fees, and other relief the court may deem appropriate. On April 3, 2006, three putative class members moved to consolidate these two related actions, to be appointed joint Lead Plaintiffs and for approval of their counsel as Lead Counsel. On June 22, 2006, the Court orally granted this motion, which consolidated these two actions, named the three putative class members as Lead Plaintiffs, and approved their selection of Lead Counsel.

Lead Plaintiffs filed a consolidated amended complaint on July 24, 2006. Pursuant to the Court s scheduling order, defendants motions to dismiss the consolidated amended complaint must be filed no later than September 22, 2006, and briefing of defendants motions to dismiss is to be completed no later than December 21, 2006.

The Company, certain of its former officers and certain of its former and current directors also have been named as defendants in a proposed shareholder class action lawsuit filed on February 24, 2006 in the Ontario Superior Court of Justice (the Ontario Action). The Ontario Action seeks to bring a class action on behalf of all persons who acquired securities of the Company from February 26, 1998 to October 18, 2004. It claims damages for oppression and negligent misrepresentation of $700,000, punitive damages of $300,000 as well as interest and costs. The Ontario Action alleges, among other things, that the Company failed to disclose certain related party transactions.

The Company is presently unable to determine whether these actions will have a material adverse effect on the business, results of operations, financial condition and liquidity of the Company and intends to defend itself vigorously in these actions.

The Company has further received a demand letter from U.S. counsel for an individual shareholder. It threatens a court application for leave to bring a derivative action on behalf of the

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

23. Contingencies (Continued)

Company against certain former officers of the Company in respect of related party transactions, as well as senior officers and directors of the Company since January 1998, if the Company itself does not commence the demanded action. The Company s Audit Committee is in the process of reviewing the demand and will make a recommendation to the Board on how to proceed.

Subsequent to the year end, the SEC has commented on the Company s Form 40-F in respect of fiscal 2004, fiscal 2005 and its quarterly filings in 2005. The SEC has raised some comments related to the Company s goodwill valuation and the full valuation allowance of the Company s U.S future tax losses. The process of responding to SEC s comments is complete and resulted in the Company refiling its Management Discussion and Analysis documents for the twelve months ended December 31, 2005 and for the quarter ended June 30, 2006. No adjustments to the financial statements in respect of these matters was required.

The Company is the subject of a criminal investigation being conducted by the Antitrust Division of the United States Department of Justice (Department of Justice). The investigation focuses on alleged price fixing in the window coverings industry. Subsequent to the year-end, the Company reached an agreement in principle to resolve the matter with the Department of Justice for an amount the Company had previously accrued in its financial statements to settle the matter. The Company has not yet finalized an agreement with the Department of Justice.

Subsequent to the year end, the Company has also been contacted by counsel for a group of potential civil plaintiffs (direct purchasers) that have indicated their intention to commence civil litigation against the Company pertaining to the conduct that is the subject of the Department of Justice investigation. To date, no civil lawsuits have been filed.

The ongoing investigations described in note 2(a) to the consolidated financial statements may produce results that have a material impact on the Company and its previously reported financial results.

The Company is also involved in various claims, legal proceedings, investigations and complaints arising in the course of business. Where the Company expects to incur a loss as a result of a claim, an estimate of the loss has been recorded as an expense. In all other cases, the Company cannot determine whether these claims, legal proceedings, investigations and complaints will, individually or collectively, have a material adverse effect on the business, results of operations and financial condition and liquidity of the Company. The Company is presently unable to determine whether these actions will have a material adverse effect on the business, results of operations, financial condition and liquidity of the Company.

24. Guarantees

In the normal course of business, the Company grants letters of credit, enters into indemnification agreements, and provides guarantees to third parties, including the following:

(a) Irrevocable standby letters of credit:

The Company may grant irrevocable standby letters of credit, issued by highly-rated financial institutions, in favour of third parties to indemnify them in the event the Company fails

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ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

24. Guarantees (Continued)

to meet its contractual obligations. On issue, the Company concurrently enters into a reimbursement agreement with the issuing financial institution, which provides that the Company will reimburse any amounts paid out on its behalf under the letter of credit. As of December 31, 2005, outstanding letters of credit totalled $20,671, maturing on various dates during 2006. The Company has not recorded any additional liability with respect to these guarantees as it does not expect to pay amounts in excess of those already recorded on its financial statements.

(b) Indemnifications:

The Company from time to time is required to indemnify third parties against various risks when entering into contractual arrangements with them, and customarily obtains reciprocal and comparable indemnifications from the counterparty. Such indemnifications may require payment for breach of contractual terms, changes in laws or regulations including as to the taxation of income, environmental liabilities, or litigation. The indemnification period generally is limited to the term of the underlying contract plus applicable limitation periods, if any, under law. The maximum potential amount of future payments that the Company would be liable to make under such indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation; however, the Company provides indemnifications only when an assessment of the underlying business circumstances indicates that the risk of loss is remote. No amount has been accrued in the Company s December 31, 2005 consolidated financial statements related to this type of indemnification as historically the Company has not made any material payments under such indemnifications and management considers it unlikely that any such payments will be required in the future.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company acquires liability insurance for its directors and officers as well as those of its subsidiaries.

(c) Guarantees of third party debt:

The Company on occasion may issue guarantees in favour of financial institutions with respect to third party debt obligations. Such guarantees are intended to indemnify the financial institution against loss in the event the third party defaults on repayment of the debt. As at December 31, 2005, the Company s maximum liability, under and the fair value of, such guarantees amounted to $1,178. Subsequent to December 31, 2005 one guarantee was returned undrawn; the Company s maximum liability under the remaining guarantee was $70. The guarantee is not limited to a fixed term; however, the underlying third party liability is renewable annually.

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

24. Guarantees (Continued)

(d) Related party debt:

The Company has issued a support letter to a financial institution with respect to the debt obligations of an equity accounted subsidiary. The support letter stipulates that the Company will provide the subsidiary with sufficient working capital to enable it to repay, and will cause the subsidiary to repay, principal, interest, and other amounts owed to the financial institution when due. As at December 31, 2005, the Company s maximum liability, under and the fair value of, the support letter amounted to $3,209. While the support letter is not limited to a fixed term, the Company has notified the financial institution of its intention to divest the subsidiary and has revoked its obligations for amounts owed in excess of those outstanding as of the date of notification. Subsequent to December 31, 2005 the Company has divested the subsidiary and the support letter was returned undrawn and was cancelled.

25. Related Party Transactions

Related party transactions are summarized in the following table:

	12 months ended December 31, 2005 (audited)	**15 months ended December 31, 2004 (audited)**	**12 months ended December 31, 2004 (unaudited)**	**3 months ended December 31, 2003 (unaudited)**	**12 months ended September 30, 2003 (audited)**
Companies related to the former controlling shareholder	$ 273	$ 870	$ 715	$ 155	$ 1,650
Non-wholly owned subsidiary and minority shareholders of this subsidiary	6,897	12,107	6,349	5,758	350

At December 31, 2005, there are accounts receivable from companies related to the former controlling shareholder of $36 (2004 $100) and an accounts receivable from the former controlling shareholder of nil (2004 $1,130). At December 31, 2005, there are accounts receivable of $89 (2004 $148) and accounts payable of $1,455 (2004 $2,452) relating to other related parties.

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

25. Related Party Transactions (Continued)

With the exception of the sale of the real estate as noted in note 2(b)(xv), these related party transactions were in the normal course of the Company s business relating either to products typically manufactured by it and sold at prices and terms consistent with those to third parties, the recovery of costs incurred in respect of certain shared services and the purchase of other goods and services such as rent for premises.

26. Significant Differences between Canadian and United States Generally Accepted Accounting Principles

These consolidated financial statements have been prepared in accordance with Canadian GAAP. In certain respects, U.S. GAAP differs from Canadian GAAP. The following is a summary of the effect of significant differences in GAAP on the consolidated financial statements:

(a) Description of GAAP differences:

(i) Substantively enacted tax laws and rates:

Canadian GAAP permits the recognition of the impact of substantively enacted changes in tax laws and rates on the measurement of future income tax assets and liabilities in the period those tax laws and rates have been substantively enacted. There are no substantively enacted rates in the periods presented.

U.S. GAAP does not recognize the concept of substantively enacted tax laws and rates and only allows recognition of the impact of a tax rate reduction on future income tax assets and liabilities once it is passed into a law.

(ii) Comprehensive income:

The Financial Accounting Standards Board (FASB) in the United States issued Statement of Financial Accounting Standard (SFAS) No. 130, which establishes standards for reporting and display of comprehensive income and its components (revenue, expenses, gains and losses) in a full set of general purpose financial statements. SFAS No. 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Canadian GAAP has issued similar guidance effective for fiscal periods beginning on or after October 1, 2006.

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

26. Significant Differences between Canadian and United States Generally Accepted Accounting Principles (Continued)

(iii) Incorporated joint ventures:

U.S. GAAP requires investments in incorporated joint ventures to be accounted for under the equity method, while under Canadian GAAP, the accounts of incorporated joint ventures are proportionately consolidated. However, under rules promulgated by the SEC, a foreign registrant may, subject to the provision of additional information, continue to follow proportional consolidation for purposes of registration and other filings notwithstanding the departure from U.S. GAAP. Consequently, the additional information regarding the Company s interest in joint ventures is presented in note 5.

(b) Net earnings (loss) in accordance with U.S. and Canadian GAAP:

There are no differences in the determination of net earnings (loss) between U.S. and Canadian GAAP.

(c) Comprehensive loss for U.S. GAAP purposes is determined as follows:

	12 months ended December 31, 2005 (audited)	**15 months ended December 31, 2004 (audited)**	**12 months ended December 31, 2004 (unaudited)**	**3 months ended December 31, 2003 (unaudited)**	**12 months ended September 30, 2003 (audited)**
Net earnings (loss) in accordance with U.S. GAAP	$ (270,442)	$ 36,849	$ 33,123	$ 3,726	$ (58,211)
Foreign currency translation adjustment	18,555	(41,472)	(33,748)	(7,724)	(73,139)
Comprehensive loss based on U.S. GAAP	$ (251,887)	$ (4,623)	$ (625)	$ (3,998)	$ (131,350)

(d) Shareholders equity in accordance with U.S. GAAP:

There are no differences in the determination of shareholders equity between U.S. and Canadian GAAP.

(e) Effect on consolidated balance sheets and consolidated statements of earnings:

The application of U.S. GAAP would result in the following presentation of these captions on the consolidated balance sheets and consolidated statements of earnings:

	As at December 31, 2005 (audited)	**As at December 31, 2004 (audited)**
Term debt	$ 297,623	$ 321,517
Net future income tax liabilities	74,910	132,488

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

26. Significant Differences between Canadian and United States Generally Accepted Accounting Principles (Continued)

	12 months ended December 31, 2005 (audited)	**15 months ended December 31, 2004 (audited)**	**12 months ended December 31, 2004 (unaudited)**	**3 months ended December 31, 2003 (unaudited)**	**12 months ended September 30, 2003 (audited)**
Tax provision	$ 8,461	$ 37,164	$ 17,576	$ 19,588	$ (5,362)
Interest and financing charges	25,441	34,837	26,150	8,687	39,456

(f) Other disclosures:

(i) Accounting for employee stock options:

Prior to fiscal 2003, the Company, as permitted under SFAS No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), accounted for stock options using the intrinsic value method and was required to disclose pro forma earnings and earnings per share information as if the Company had accounted for its employee stock options issued in 1995 and subsequent years under the fair value method.

The fair value of each option granted is estimated on the grant date using the Black-Scholes option pricing model. During 2005, 275,000 (2004 nil) stock options were granted with the following weighted average assumptions:

Assumptions	**2005**
Risk-free interest rate	3.9%
Expected life	5.3 years
Expected volatility	52.4%
Dividend yield	
Weighted average fair value of options granted	$ 6.30

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure (SFAS No. 148). An amendment of FASB No. 123, SFAS No. 148 amended the transitional provisions of SFAS No. 123 for entities choosing to recognize stock-based compensation under the fair value-based method of SFAS No. 123, rather than electing to continue to follow the intrinsic value method. Under SFAS No. 148, the Company could have adopted the recommendations of SFAS No. 123 either (a) prospectively to awards granted or modified after the beginning of the year of adoption, (b) retroactively with restatement for awards granted or modified since January 1, 1995, or (c) prospectively to awards granted or modified since January 1, 1995. Effective October 1, 2002, the Company elected to expense employee stock-based compensation using the fair value method prospectively for all awards granted after October 1, 2002.

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ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

26. Significant Differences between Canadian and United States Generally Accepted Accounting Principles (Continued)

Had the Company applied the fair value-based method to all stock options outstanding at the date of adoption, the Company s net earnings (loss) and earnings (loss) per share would have been reduced to the pro forma amounts indicated below:

	12 months ended December 31, 2005 (audited)	15 months ended December 31, 2004 (audited)	12 months ended December 31, 2004 (unaudited)	3 months ended December 31, 2003 (unaudited)	12 months ended September 30, 2003 (audited)
Net earnings (loss) in accordance with U.S. GAAP	$ (270,442)	$ 36,849	$ 33,123	$ 3,726	$ (58,211)
Pro forma stock-based compensation expense	(543)	(1,155)	(907)	(248)	(3,822)
Pro forma net earnings (loss)	$ (270,985)	$ 35,694	$ 32,216	$ 3,478	$ (62,033)
Basic earnings (loss) per share:					
As reported	$ (2.89)	$ 0.39	$ 0.35	$ 0.04	$ (0.62)
Pro forma	(2.90)	0.38	0.34	0.04	(0.67)
Diluted earnings (loss) per share:					
As reported	$ (2.89)	$ 0.39	$ 0.35	$ 0.04	$ (0.62)
Pro forma	(2.90)	0.38	0.34	0.04	(0.67)

(ii) New accounting pronouncements:

In March 2005, FASB Financial Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations (FIN 47). FIN 47 clarified that the term conditional asset retirement obligation as used in Statement of Financial Accounting Standards, or SFAS No. 143, Accounting for Asset Retirement Obligations , refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 requires that either a liability be recognized for the fair value of a legal obligation to perform asset retirement activities that are conditional on a future event if the amount can be reasonably estimated, or where it cannot, that disclosure of the liability exists, but has not been recognized and the reasons why a reasonable estimate cannot be made. FIN 47 became effective for interim or annual periods ending after December 15, 2005. Under Canadian GAAP on December 6, 2005, the CICA Emerging Issues Committee (EIC) issued Abstract EIC-159, which conforms the accounting standards for conditional asset retirement obligations to U.S. GAAP, but is only effective for interim and annual financial statements for fiscal years ending after March 31, 2006. The implementation of FIN 47 is not expected to have a material impact on the Company s consolidated financial statements.

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

26. Significant Differences between Canadian and United States Generally Accepted Accounting Principles (Continued)

In May 2005, FASB issued SFAS No. 154, Accounting Changes and Error Corrections (SFAS No. 154). SFAS No. 154 replaces APB Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS No. 154 requires that a voluntary change in an accounting principle be applied retrospectively with all prior period financial statements presented using the new accounting principle. SFAS No. 154 also requires that a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for prospectively as a change in estimate, and correction of errors in previously issued financial statements should be termed a restatement. SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The implementation of SFAS No. 154 has not had a material impact on the Company s consolidated financial statements.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes. This interpretation prescribes a recognition threshold and measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. At this time, the CICA has indicated that Canadian GAAP will not seek to conform to the exact guidance mandated in FIN 48. Therefore, future differences may exist between Canadian and U.S. GAAP for the accounting for uncertain tax positions. The Company is currently assessing the impact of FIN 48 on its results under U.S. GAAP.

27. Plan of Arrangement with Georgia Gulf Corporation

On June 9, 2006, the Company entered into an Arrangement Agreement (Arrangement) with Georgia Gulf pursuant to which Georgia Gulf will acquire all of the common shares of Royal Group at a price of $13.00 (CAD) per share. The Company had been involved in a sale process since May 25, 2005, when its Board of Directors announced that it would open a data room and solicit bids from a broad group of potential acquirers. Royal Group s Board of Directors acting on the unanimous recommendation of the special committee of independent directors for the previously announced sale process, unanimously approved the transaction and determined that the transaction was fair to the Company s shareholders and was in the best interests of the Company. The Board of Directors recommended that Royal Group shareholders vote in favour of the transaction.

On August 4, 2006, the shareholders of the Company voted and approved the Arrangement with Georgia Gulf and the acquisition by Georgia Gulf of all the outstanding common shares. The Company expects the transaction will close in October 2006.

The Arrangement is conditional upon receipt of all approvals under the Competition Act (Canada), the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (U.S.), as amended from time to time, and the Investment Canada Act (Canada). The Company anticipates that the approvals will be received by the end of September 2006.

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

27. Plan of Arrangement with Georgia Gulf Corporation (Continued)

As a result of the shareholder approval of the Arrangement with Georgia Gulf, certain of the Company s agreements contain change of control provisions that are enacted.

(i) Management Incentive Plans

The Company has two management incentive plans that provide incentives to executives and other key employees of the Company:

(i) Long-Term Incentive Plan Cash Award

(ii) Senior Management Incentive Plan Restricted Share Units

These incentive plans provide for awards, in cash or restricted share units, as applicable, that vest at the end of three years if pre-determined corporate financial targets, as approved by the Company, are met. Upon the acquisition of common shares of the Company, which results in an acquirer beneficially owning in excess of 50% of the outstanding common shares of the Company, all of the outstanding awards will be subject to accelerated vesting, without regard to the conditions relating to financial performance.

The Long-Term Incentive Plan stipulates that thirty percent of the outstanding grants will accelerate and vest immediately upon a change in control of the Company. This will result in a payout of $9,738, which is not currently accrued in the Company s consolidated financial statements. The remaining unvested grants will be cancelled and forfeited and the Long-Term Incentive Plan will be terminated.

The Senior Management Incentive Plan stipulates that either thirty or fifty percent of the employee s outstanding RSUs will accelerate and vest immediately upon a change in control of the Company. However, the Arrangement with Georgia Gulf requires the Company to cancel all issued and outstanding RSUs immediately prior to the effective date of the change in control, whether vested or unvested, in exchange for a cash payment equal to $13.00 per RSU. This will result in a payout of approximately $14,365, which is not currently accrued in the Company s consolidated financial statements. The Senior Management Incentive Plan will then be terminated.

ii. Stock Option Plan

The Company maintains a stock option plan to allow management and key operating personnel to purchase common shares. The Arrangement with Georgia Gulf requires the Company to cancel all issued and outstanding options immediately prior to the effective date of the change in control, whether vested or unvested, in exchange for a cash payment to the option holder equal to the amount if any, by which $13.00 exceeds the exercise price payable under such option. This will result in 145,000 options qualifying for an aggregate cash payout of $300, which is not currently accrued in the Company s financial statements. The remaining 2,116,000 options that did not qualify for the cash payment will be cancelled. The Stock Option Plan will then be terminated.

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

27. Plan of Arrangement with Georgia Gulf Corporation (Continued)

iii. Employment Agreements

Certain executive officers have written employment agreements with the Company that require the Company to pay termination payments to such officers in the event of termination of employment following a change in control in the Company. No amount is currently accrued in the Company s financial statements for these termination payments.

iv. Term Debt and Bank Indebtedness

The Company s debt agreements, including those related to its syndicated revolving credit facility, the Series A, Series B and Series D Senior Unsecured Notes, and the Medium Term Notes, include provisions under which the lenders may require repayment of the outstanding debt in the event of a change in control of the Company.

28. Subsequent Events

In addition to the events related to the Arrangement with Georgia Gulf discussed in note 27, the following material events have occurred subsequent to December 31, 2005.

(a) Management Improvement Plan

Subsequent to the year end, the Company completed the sale of certain non-core business units and non-performing operations as part of its previously announced plan for improving the financial performance and liquidity of the Company. The total consideration was $189,983, of which $173,112 has been received, and is not materially different from the Company s expectations.

The Company completed the sales of Royal Alliance Inc., Amut S.p.A., Baron Metal Industries Inc., Royal Building Systems Argentina and Novo Europe B.V. The financial positions of the businesses have been reclassified as held for sale at December 31, 2005 and their financial results have been segregated and presented separately as discontinued operations for all periods presented.

The Company also completed the sale of Vinyltech Inc., the assets of a tooling company located in Woodbridge, Ontario and 550 thousand square feet of excess manufacturing space. At December 31, 2005, the net assets for the above-noted entities and the excess manufacturing space were classified as assets held for sale in the consolidated financial statements.

The Company has announced further plant consolidations, with another 1.5 million square feet of excess manufacturing space, which the Company has identified to be sold over the next twelve months.

ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

28. Subsequent Events (Continued)

(b) Tech-Wood USA, LLC

On April 27, 2006, the Company entered into a letter of intent to acquire Tech-Wood USA, LLC (Tech-Wood), a U.S. start-up company, which is located in Greenwood, South Carolina. Tech-Wood has a patented polymer and wood-fiber technology for manufacturing wood-polymer composite products such as decking, fencing, railing and other building materials. Tech-Wood holds the exclusive North American rights to this technology. On July 27 2006, the Company decided not to proceed further with the acquisition of Tech-Wood.

(c) Royal Group (China) Limited

On July 4, 2006, the Company acquired the outstanding minority interest of Royal Group (China) Limited for consideration of $5,600 (USD) of which $2,300 (USD) was paid on the closing date. The remaining consideration will be paid by December 31, 2008.

(d) Goodwill

During the quarter ended June 30, 2006, the Company entered into an Arrangement with Georgia Gulf to acquire all of the common shares of the Company at $13.00 per share. As a result of this event, management compared the fair value of each of the reporting units with its carrying amount, including the goodwill allocated to the respective reporting unit. The fair value of the reporting units was calculated using discounted future cash flows. The calculation was performed in a manner consistent with the goodwill analysis conducted as of December 31, 2005, but was based upon updated data to June 30, 2006 including the cash payment contemplated under the Arrangement with Georgia Gulf. Management concluded that goodwill was impaired in three reporting units contained within two reporting segments, namely home improvement products and window covering products at June 30, 2006. As a result, the Company recorded an impairment charge of $25,496 for the three months ended June 30, 2006.

(e) Quebec Tax

On May 9, 2006, the Quebec government tabled Bill 15 in the National Assembly, An Act to amend the Taxation Act and other legislative provisions. During the quarter ended June 30, 2006, the Company recorded a charge to income tax expense of $30,700 and a charge to interest and financing of $8,624 due to the impact of Quebec s retroactive legislation.

(f) Credit Facility Amendment

Subsequent to the year end, the Company s credit agreement was amended to reduce the available limit of the credit facility by an amount equal to all divestitures in excess of $100,000.

(g) Senior Management Incentive Plan

During the second quarter ended June 30, 2006, the Company reviewed the employee compensation accrual for the Senior Management Incentive Plan and determined that the

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ROYAL GROUP TECHNOLOGIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of Canadian dollars, except share numbers and per share amounts)

Twelve months ended December 31, 2005 (audited), fifteen months ended December 31, 2004 (audited), twelve months ended December 31, 2004 (unaudited), three months ended December 31, 2003 (unaudited) and twelve months ended September 30, 2003 (audited)

28. Subsequent Events (Continued)

Company would be able to achieve one of the two pre-established targets for payout under the plan. The Company adjusted the accrual by $3,200 to reflect the estimated payout at 50% for December 31, 2006. At December 31, 2005, the employee compensation accrual for the Senior Management Incentive Plan was $7,620.

(h) SEC Comments

Subsequent to the year end, the SEC has commented on the Company s Form 40-F in respect of fiscal 2004, fiscal 2005 and its quarterly filings in 2006. The SEC had raised some comments related to the Company s goodwill valuation and the full valuation allowance of the Company s U.S future tax losses. The process of responding to SEC s comments is complete and resulted in the Company refiling its Management Discussion and Analysis documents for the twelve months ended December 31, 2005 and for the quarter ended June 30, 2006. No adjustments to the financial statements in respect of these matters was required.

(i) Contingencies

The Company is the subject of a criminal investigation being conducted by the Antitrust Division of the United States Department of Justice (Department of Justice). The investigation focuses on alleged price fixing in the window coverings industry. The Company recently reached an agreement in principle to resolve the matter with the Department of Justice for an amount the Company had previously accrued in its financial statements to settle the matter. The Company has not yet signed an agreement with the Department of Justice.

The Company has also been contracted by counsel for a group of potential civil plaintiffs (direct purchasers) that have indicated their intention to commence litigation against the Company pertaining to the conduct that is the subject of the Department of Justice investigation. As of this report, no civil lawsuits have been filed.

ROYAL GROUP TECHNOLOGIES LIMITED
UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS
(In thousands of Canadian dollars, except shares numbers and per share amounts)

	As at June 30, 2006 (unaudited)	As at December 31, 2005 (audited)
ASSETS		
Current assets:		
Accounts receivable, net of allowance of 15,794 (2004-19,512) (note 5)	$ 304,442	$ 228,584
Inventories (note 6)	355,985	346,887
Prepaid expenses	21,129	15,461
Current other receivables (note 3 (c))	31,341	
Current assets held for sale (note 3)	21,715	174,593
	734,612	765,525
Other receivables (note 3 (d))	15,177	
Property, plant and equipment (note 7)	941,173	981,037
Goodwill (note 8)	167,197	194,355
Other assets (note 9)	11,154	11,348
Long-lived assets held for sale (note 3)	23,122	83,988
	$ 1,892,435	$ 2,036,253
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Bank indebtedness (note 10)	$ 151,948	$ 158,789
Accounts payable and accrued liabilities (note 11)	328,683	274,746
Term debt due within one year (note 12)	44,812	46,902
Current liabilities held for sale (note 3)	18,316	119,026
	543,759	599,463
Term debt (note 12)	244,778	250,721
Future income tax liabilities (note 17)	55,926	74,910
Minority interest	405	856
Shareholders equity:		
Capital stock (note 13)	634,866	634,866
Contributed surplus (note 14)	7,178	8,020
Retained earnings	547,518	599,637
Currency translation adjustment	(141,995)	(132,220)
	1,047,567	1,110,303
Investigations (note 2)		
Commitments and contingencies (notes 4, 20 and 21)		
Plan of Arrangement with Georgia Gulf Corporation (note 24)		
Subsequent events (note 25)		
	$ 1,892,435	$ 2,036,253

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director, President and Chief Executive Officer
Lawrence Blanford

Director, Chairman of the Board
Robert Lamoureux

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ROYAL GROUP TECHNOLOGIES LIMITED
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands of Canadian dollars, except share numbers and per share amounts)

	3 months ended June 30, 2006 (unaudited)	3 months ended June 30, 2005 (unaudited)	6 months ended June 30, 2006 (unaudited)	6 months ended June 30, 2005 (unaudited)
Net sales	$ 458,424	$ 486,680	$ 796,508	$ 823,330
Cost of sales	336,976	358,872	606,720	616,201
Gross profit	121,448	127,808	189,788	207,129
Selling costs	24,190	26,877	48,417	50,810
Delivery and warehousing costs	32,106	36,810	60,557	68,186
General and administration costs	47,095	24,027	88,357	55,844
Other items (note 16)	15,605		7,794	
Operating earnings (loss)	2,452	40,094	(15,337)	32,289
Interest and financing charges (note 17)	16,306	8,543	24,171	14,240
Earnings (loss) from continuing operations before income taxes and minority interest	(13,854)	31,551	(39,508)	18,049
Income tax expense (note 17)	26,523	7,987	19,912	4,537
Earnings (loss) from continuing operations before minority interest	(40,377)	23,564	(59,420)	13,512
Minority interest	2	(278)	264	(291)
Earnings (loss) from continuing operations	(40,375)	23,286	(59,156)	13,221
Discontinued operations, net of income taxes (note 3):				
Loss from operations	(5,372)	(4,703)	(6,254)	(6,033)
Gain on sale of businesses and component parts	13,244		13,291	
Earnings (loss) from discontinued operations	7,872	(4,703)	7,037	(6,033)
Net earnings (loss)	$ (32,503)	$ 18,583	$ (52,119)	$ 7,188
Earnings (loss) per share (note 15)				
Basic earnings (loss) per common share from continuing operations	(0.43)	0.25	(0.63)	0.14
Basic earnings (loss) per common share	(0.35)	0.20	(0.56)	0.08
Diluted earnings (loss) per common share from continuing operations	(0.43)	0.25	(0.63)	0.14
Diluted earnings (loss) per common share	(0.35)	0.20	(0.56)	0.08

See accompanying notes to consolidated financial statements.

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ROYAL GROUP TECHNOLOGIES LIMITED
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(In thousands of Canadian dollars, except share numbers and per share amounts)

	3 months ended June 30, 2006 (unaudited)	3 months ended June 30, 2005 (unaudited)	6 months ended June 30, 2006 (unaudited)	6 months ended June 30, 2005 (unaudited)
Retained earnings, beginning of period	$ 580,021	$ 867,384	$ 599,637	$ 878,779
Net earnings (loss)	(32,503)	18,583	(52,119)	7,188
Premium on conversion of multiple voting shares (note 13 (c))		(8,700)		(8,700)
Retained earnings, end of period	$ 547,518	$ 877,267	$ 547,518	$ 877,267

See accompanying notes to consolidated financial statements.

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ROYAL GROUP TECHNOLOGIES LIMITED
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of Canadian dollars, except share numbers and per share amounts)

	3 months ended June 30, 2006 (unaudited)	3 months ended June 30, 2005 (unaudited)	6 months ended June 30, 2006 (unaudited)	6 months ended June 30, 2005 (unaudited)
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	$ (32,503)	$ 18,583	$ (52,119)	$ 7,188
Earnings (loss) from discontinued operations	7,872	(4,703)	7,037	(6,033)
Earnings (loss) from continuing operations	(40,375)	23,286	(59,156)	13,221
Items not affecting cash (bank indebtedness) of continuing operations (note 19)	37,729	34,194	47,788	63,917
Change in non-cash working capital (note 19)	(2,651)	(2,798)	(54,852)	(120,127)
	(5,297)	54,682	(66,220)	(42,989)
Financing activities:				
Repayment of term bank loan				(324,836)
Repayment of term debt	(64)	(71)	(130)	(141)
	(64)	(71)	(130)	(324,977)
Investing activities:				
Acquisition of property, plant and equipment	(21,054)	(17,101)	(33,465)	(36,818)
Proceeds from the sale of non-strategic assets	45,387		88,751	161
Change in investments	192	(229)	(161)	(145)
Change in other assets	(358)	(357)	(658)	(518)
Change in minority interest		(1,600)		(1,700)
	24,167	(19,287)	54,467	(39,020)
Discontinued operations:				
Operating activities	(751)	(1,057)	2,970	1,150
Investing activities	24,692	(1,678)	48,190	(3,325)
	23,941	(2,735)	51,160	(2,175)
Effect of foreign exchange rate on cash (bank indebtedness)	(1,503)	276	(1,444)	227
Increase (decrease) in cash	41,244	32,865	37,833	(408,934)
Cash (bank indebtedness), beginning of period	(192,230)	(329,711)	(188,819)	112,088
Cash (bank indebtedness), end of period	$ (150,986)	$ (296,846)	$ (150,986)	$ (296,846)
Consists of:				
Cash (bank indebtedness) of continuing operations	$ (151,948)	$ (296,846)	$ (151,948)	$ (296,846)
Cash (bank indebtedness) of discontinued operations	962		962	
Cash (bank indebtedness), end of period	$ (150,986)	$ (296,846)	$ (150,986)	$ (296,846)
Supplemental cash flow information:				
Interest and financing charges paid	$ 8,458	$ 5,365	$ 11,918	$ 9,317
Income taxes paid	1,879	2,287	3,646	4,573

See accompanying notes to consolidated financial statements.

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of Canadian dollars, except share numbers and per share amounts)
The six months ended June 30, 2006 and 2005

1. Basis of Presentation

These interim unaudited consolidated financial statements include the accounts of Royal Group Technologies Limited, its subsidiaries and its proportionate share of its joint ventures (collectively Royal Group or the Company). All significant inter-company balances and transactions have been eliminated.

These interim unaudited consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial statements. These financial statements are based upon accounting policies applied consistently with those used and described in the Company s annual consolidated financial statements. These interim financial statements do not include all of the disclosures included in the annual financial statements, and therefore should be read in conjunction with the audited consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2005 (the 2005 audited financial statements).

The information furnished reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of continuing operations for the interim periods presented. The Company s operating results of continuing operations are subject to fluctuations due to the seasonality of the North American renovation, remodeling and new construction markets. As such, the operating results of continuing operations for the three and six months ended June 30, 2006 are not necessarily indicative of the results expected for any succeeding quarter or for the fiscal year ending December 31, 2006. Historically, the Company s highest revenue generating quarters have been the three months ended June 30 and September 30.

Certain prior period comparative figures have been reclassified to conform to current period presentation.

2. Investigations

(a) Background:

The Board of Directors of the Company established a Special Committee in late December 2003 as a result of the Company being advised that the Ontario Securities Commission (the Commission) was conducting a regulatory investigation of the Company. The Special Committee was asked by the Board of Directors to conduct an independent inquiry into the principal subject matter of the investigation being the transactions between the Company and Royal St. Kitts Beach Resort Limited (the Resort). The Resort ownership included the following directors or former directors or executive officers or former executive officers and their approximate percentage ownership: Vic De Zen, former Chairman, President, Chief Executive Officer and the controlling shareholder (59.9%), Douglas Dunsmuir, former President and Chief Executive Officer (5%), Ron Goegan, former Chief Financial Officer (0.02%) and Angelo Bitondo, President Custom Profiles, Outdoor Products and Royal Building Systems (0.01%). The latter two individuals divested of their ownership in December 2004. In addition, the following former non-executive employees of the Company and their approximate percentage ownership in the Resort were as follows: Fortunato Bordin (20%) and Domenic D Amico (15%).

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ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)
The six months ended June 30, 2006 and 2005

2. Investigations (Continued)

The Special Committee consisted of three independent directors, at that time, who retained independent legal counsel who, in turn, retained forensic accountants to assist in the investigation. At the conclusion of the investigation based on information available to them, the Special Committee recommended that no further investigative actions were to be taken as of April 21, 2004.

On October 15, 2004, the Company announced that the Commission provided the Company with a copy of a Production Order on October 12, 2004 that was issued on October 5, 2004 by a Justice in Ontario addressed to the Company s lead bank. The Order, which related to the time period January 1, 1996 to July 30, 2004, required that certain documents be provided by such bank to the Royal Canadian Mounted Police (RCMP) in relation to four companies, Royal Building Systems, a subsidiary of the Company, the Resort and two other affiliates of the Resort.

On October 18, 2004, the Company received a letter from the RCMP advising that the Company was a target of the RCMP s investigation.

On October 21, 2004, the Company announced that it expanded the Special Committee of its Board of Directors that was established in December 2003. The Special Committee was expanded to comprise all five of the independent directors of the Company at that time. The mandate of the Special Committee was also broadened to include all aspects of the investigations and inquiries by securities regulatory authorities and the RCMP and any similar or related investigations and inquiries that were commenced by these or other authorities, all news releases and other communications with the public and to make a determination with respect to the role within the Company of any individuals who were involved in the regulatory or law enforcement investigations and/or proceedings.

On October 28, 2004, the Company announced that on October 27, 2004, it was provided with a copy of a second Production Order issued on October 25, 2004 by a Justice in Ontario addressed to the Company s lead bank. The second Order, which related to the time period January 1, 1996 to October 25, 2004, required that certain documents were to be provided by the bank to the RCMP in relation to certain individuals and a number of entities, including the Company.

Both Orders included allegations of actions contrary to the Criminal Code and included allegations of intent to defraud the shareholders and creditors of the Company and deceive the shareholders and others by circulating or publishing in a prospectus or statement or account, which, was known to be false and theft. The Orders collectively named the controlling shareholder and non-executive chairman of the Company, the president and chief executive officer and the chief financial officer at that time, and certain non-executive employees of the Company at that time and a former director of the Company.

On November 8, 2004, the Company announced that the Special Committee of independent directors retained independent legal counsel and independent forensic accountants to assist it in the broadened mandate.

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)
The six months ended June 30, 2006 and 2005

2. Investigations (Continued)

On November 29, 2004, the Company announced that the Special Committee terminated for cause the president and chief executive officer and the chief financial officer. In addition, the chairman of the board, who was also the controlling shareholder, was dismissed. The Board of Directors appointed an interim president and chief executive officer and an interim chief financial officer, who were directors of the Company.

In November 2004, the Special Committee notified the Securities and Exchange Commission (the SEC) regarding the Special Committee s investigation.

In March 2005, the Special Committee recommended an overall settlement with the controlling shareholder involving (i) the repayment to the Company by the controlling shareholder personally of the full amount of the gain earned by all interested parties ($6,500 plus interest of $2,200) on the sale of the Vaughan West Lands to the Company. In lieu of a cash repayment, the Company agreed to the conversion of multiple voting shares in the Company owned, directly or indirectly, by the controlling shareholder to common shares on a one-for-one basis which will be structured so that his shares will receive an increase in their adjusted cost base for tax purposes (at no cost to the Company or any of the shareholders) which will reduce his gain for tax purposes when he disposes of his shares, (ii) the repayment to the Company by the controlling shareholder of bonuses received in 2002 of $1,130, (iii) a non-compete covenant of the controlling shareholder that extends to December 18, 2006, (iv) a release by the controlling shareholder of all known claims against the Company and (v) the resignation of the controlling shareholder as a director of the Company (at the time of the shareholders approval of the conversion of his shares from multiple voting to single voting shares). In consideration of such settlement arrangements, the Company agreed to release the controlling shareholder from all known claims that the Company may have against him.

On May 13, 2005, the Company announced its Board of Directors appointed a new president and chief executive officer to replace the interim president and chief executive officer.

The conversion transaction and the settlement with the controlling shareholder received shareholder approval at the Annual and Special General Meeting that took place on May 25, 2005. On June 23, 2005, the Company filed the articles of amendment as approved by the shareholders on May 25, 2005 and the Company now has one class of voting common shares.

On July 27, 2005, the Board of Directors appointed a new chief financial officer to replace the interim chief financial officer.

The Company understands that the RCMP continues its previously announced investigation. The Commission is also continuing its investigation of the Company with respect to disclosure records, financial affairs and trading in the shares of the Company.

On June 24, 2005, the SEC staff notified the Special Committee that the SEC staff is conducting a formal investigation related to the Company s past accounting practices and disclosures, and that a subpoena would be forthcoming. On July 8, 2005, the Special Committee received written notification that the SEC had issued a Formal Order of Investigation styled, In the Matter of Royal Group

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)
The six months ended June 30, 2006 and 2005

2. Investigations (Continued)

Technologies (HO-09896). On July 27, 2005, the SEC served the Company with a subpoena requiring the production of documents relating to related party transactions (the July Subpoena). The Special Committee has produced to the SEC staff documents responsive to the July Subpoena.

In October 2005, the Special Committee advised Commission staff, the RCMP and SEC staff of emails and documents authored by a former financial employee of the Company that relate to certain financial accounting and disclosure matters. The Company understands that the SEC staff made a referral to the U.S. Department of Justice, Criminal Division, in connection with those documents. Also in October 2005, the Audit Committee assumed responsibility for the Special Committee s mandate and the Special Committee was dissolved. Independent forensic accountants were retained to investigate issues raised by these documents (the Investigation). The Investigation focuses on the period from 2000 to 2003.

The Investigation to date has included a review of certain of the Company s historical accounting records, available supporting documentation at the Company s head office and email communications of various individuals during the period under review, as well as interviews with numerous current and former employees.

The Investigation identified certain monthly and quarterly accounting and reporting issues of concern for the period under review, such as support for monthly sales growth announcements for certain months in 2001, whether month end closes were extended for a few days for certain months in 2000 and 2001, and certain quarterly journal entries for the period under review.

The quarterly statements were not reviewed by the external auditors during this time period. Based on the Investigation to date, the Audit Committee has determined that further investigation should be made of these issues.

The Investigation also identified entries of concern relating to the year end financial statements for the fiscal years 2000 to 2003. The Company has concluded that no restatement is required of year end financial statements for fiscal years 2000 to 2003. The auditors have not withdrawn their reports for the fiscal years 2000 to 2003. The Audit Committee has determined that no further action be taken in respect of these year end financial statements.

The Investigation and the ongoing investigations by the Commission, RCMP and SEC could produce results that have a material impact on the Company and could result in further information being discovered that could require adjustments to the financial statements.

The SEC has commented on the Company s Form 40-F in respect of fiscal 2004, fiscal 2005 and its quarterly filings in 2005. The SEC has raised some comments related to the Company s goodwill valuation and the full valuation allowance of the Company s U.S future tax losses. The process of responding to SEC s comments is ongoing but not yet complete and may require adjustments to the financial statements in respect of these matters.

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)
The six months ended June 30, 2006 and 2005

2. Investigations (Continued)

(b) Historical related party transactions:

In the course of the Special Committee s broadened investigation, the following historical related party transactions shown at the exchange amount were identified that were not previously disclosed in the financial statements prior to December 31, 2004:

(i) The Company purchased what has been called the Vaughan West Lands in 1998 for approximately $27,400. The Company purchased the Vaughan West Lands, approximately 185 acres in Woodbridge, Ontario, by acquiring a numbered company owned by the controlling shareholder and other individuals who were officers, employees of or associated with the Company. This numbered company had acquired the Vaughan West Lands for $20,900 shortly before they were sold to the Company.

(ii) The Company received a warrant for 200,000 shares of another public company, Premdor Inc. (now known as Masonite International Corporation) (Masonite). The Company obtained the warrant as partial consideration for the sale of a subsidiary to Masonite in early 2000. In early 2002, the Company exercised the warrant when Masonite s shares were trading at approximately $21.75, which was $8.50 more than the exercise price (resulting in a gain of approximately $1,700). The Company s exercise of the warrant was funded by the then five senior executives of the Company and one other individual who was then an employee of the Company. The employees deposited a total of $2,650 with the Company which funded the Company s payment to Masonite to exercise the warrant. The shares obtained were then distributed by the Company to the six individuals. The warrant and the transfer of the shares to the individuals were not recorded in the accounting records of the Company. If the transaction had been recorded in the financial statements in fiscal 2002, a gain would have been realized as other income with an equal and offsetting amount recorded as an operating expense in the income statement.

(iii) The Company sold products and services to a company related to the controlling shareholder, as follows:

1998	150
1999	3,750
2000	9,620
2001	7,560
2002	11,460

(iv) During 1998 to 2003, the Company facilitated foreign currency exchange transactions at exchange rates available to the Company, and utilized Company bank accounts to transfer funds internationally on behalf of the controlling shareholder, a significant shareholder and certain executives in the amount of $95,000 at no cost to the Company.

(v) During 1997 to 2002, the Company managed the construction of four real estate developments for the controlling shareholder and family members. The Company paid invoices associated with

ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)
The six months ended June 30, 2006 and 2005

2. Investigations (Continued)

these projects aggregating $21,100 and was reimbursed by these individuals.

(vi) During 2000 and 2002, the Company sold assets for $240 and $300, respectively, to companies related to the controlling shareholder.

(vii) From 1998 to 2002, the Company sold to family members of the controlling shareholder, parts and services for $290.

(viii) In 1997, the Company acquired Baron Metals Industries Inc., a company in which the controlling shareholder held a 17.7% interest, for $11,500.

(ix) In 1996, the Company acquired three businesses, Jovien Associates Limited, Royal King Electric Limited and La Pineta Limited, in which the controlling shareholder held a minority interest, for $2,900.

(x) In 1999, the Company acquired 75% of Top Gun Electrical Supply Ltd., a company in which the controlling shareholder held a 40% interest, for $1,870.

(xi) In 1995, the Company purchased from the controlling shareholder and others their 50% interest in Hanmar Mechanical Services Inc. for $180.

(xii) In 1998, the Company purchased two parcels of real estate from the controlling shareholder for $2,900.

(xiii) In 1997, the Company purchased two parcels of real estate for $2,550 from a company in which a director of the Company was a shareholder through his holding company.

(xiv) The Company sold real estate to the controlling shareholders, as follows:

1994	220
1995	810
1996	90
2000	200

(xv) In 2003, the Company sold real estate for $350 to family members of the controlling shareholder, employees and a former employee.

(xvi) The Company sold real estate to a significant shareholder, as follows:

1995	110
1997	80

(xvii) During 1999 to 2001, the Company entered into 9 joint land service agreements with companies related to the controlling shareholder and another company in which a director of the Company was a shareholder.

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ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)
The six months ended June 30, 2006 and 2005

3. Assets Held for Sale including Discontinued Operations

The assets held for sale presented on the consolidated balance sheet are comprised of amounts with respect to operations which are discontinued (Note 3(a)) and amounts with respect to assets held for sale (Note 3(b)).

The following table summarizes the assets held for sale and related liabilities as at June 30, 2006:

Reporting segments	Construction products Discontinued Operations	Window covering products Discontinued Operations	Support Discontinued Operations	Support Assets held for sale	Total
Cash	$ 962	$	$	$	$ 962
Accounts receivable	9,610	530	75		10,215
Inventories	9,182	570	140		9,892
Prepaid expenses	560	49	37		646
Current assets held for sale	20,314	1,149	252		21,715
Property, plant and equipment	13,560	467	1,634	7,152	22,813
Investments	117				117
Goodwill				137	137
Other assets	55				55
Long-lived assets held for sale(1)	13,732	467	1,634	7,289	23,122
Accounts payable and accrued liabilities	17,150	81	371		17,602
Future income tax liabilities (assets)	(446)		(561)	1,028	21
Minority interest	693				693
Current liabilities held for sale	17,397	81	(190)	1,028	18,316
Net assets (liabilities) held for sale	$ 16,649	$ 1,535	$ 2,076	$ 6,261	$ 26,521

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(1) There were several companies whose long-lived assets were not reclassified as current assets held for sale because, either (a) the proceeds of the sale will not be realized within a year of the date of the balance sheet or (b) the sale of the assets was not complete as of the date of the balance sheet.

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ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)
The six months ended June 30, 2006 and 2005

3. Assets Held for Sale including Discontinued Operations (Continued)

The following table summarizes the assets held for sale and related liabilities as at December 31, 2005:

Reporting segments	Construction products Discontinued Operations	Window covering products Discontinued Operations	Home improvement products Discontinued Operations	Support Discontinued Operations	Total Discontinued Operations	Construction products Assets held for sale	Support Assets held for sale	Total Assets held for sale	Total
Cash	$ 2,160	$	$	$ 5,506	$ 7,666	$	$	$	$ 7,666
Accounts receivable	12,329	26	13,784	6,643	32,782	13,558		13,558	46,340
Inventories	12,990	745	16,057	10,361	40,153	9,268	81	9,349	49,502
Prepaid expenses	390	35	86	249	760	172	11	183	943
Property, plant and equipment				6,417	6,417		62,843	62,843	69,260
Investments				1	1				1
Other assets				881	881				881
Current assets held for sale	27,869	806	29,927	30,058	88,660	22,998	62,935	85,933	174,593
Property, plant and equipment	19,734	405	30,172	2,561	52,872	1,170	20,753	21,923	74,795
Investments	153		(68)		85	135		135	220
Goodwill	3,838				3,838	3,528	1,433	4,961	8,799
Other assets	169				169	5		5	174
Long-lived assets held for sale(1)	23,894	405	30,104	2,561	56,964	4,838	22,186	27,024	83,988
Bank indebtedness			30,383	7,313	37,696				37,696
Accounts payable and accrued liabilities	12,946	195	26,154	16,490	55,785	8,960	21	8,981	64,766
Term debt				1,110	1,110	6		6	1,116
Future income tax liabilities (assets)	(323)		6,392	(4,512)	1,557	(5)	1,679	1,674	3,231
Minority interest	694		394	4,190	5,278	525	6,414	6,939	12,217
Current liabilities held for sale	13,317	195	63,323	24,591	101,426	9,486	8,114	17,600	119,026
Net assets (liabilities) held for sale	$ 38,446	$ 1,016	$ (3,292)	$ 8,028	$ 44,198	$ 18,350	$ 77,007	$ 95,357	$ 139,555

(1) There were several companies whose long-lived assets were not reclassified as current assets held for sale because, either (a) the proceeds of the sale will not be realized within a year of the date of the balance sheet or (b) the sale of the assets was not complete as of the date of the balance sheet.

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ROYAL GROUP TECHNOLOGIES LIMITED
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of Canadian dollars, except share numbers and per share amounts)
The six months ended June 30, 2006 and 2005

3. Assets Held for Sale including Discontinued Operations (Continued)

(a) Discontinued operations:

In July 2005, the Company announced that the Board of Directors had approved initiatives to divest certain non-core business units and non-performing operations as part of the Management Improvement Plan aimed at improving financial performance and refinancing the Company. Accordingly, the results of operations and financial position of certain non-core business units have been segregated and presented separately as discontinued operations and assets held for sale in the accompanying consolidated financial statements and related note disclosures.

During the quarter ending March 31, 2006, the Company completed the sale of both Royal Alliance Inc. and Amut S.p.A., which were previously part of the Home improvement and Support segments, respectively. The Company recognized an aggregate loss of $6,027 (pre-tax). The total consideration was $34,991 of which, $24,000 was received on closing. The balance of the consideration of $10,991 was reduced in the quarter ending June 30, 2006 by repayments of $239. The outstanding balance of $10,752 is included in other receivables on the consolidated balance sheet.

During the quarter ending June 30, 2006, the Company completed the sale of Baron Metal Industries, which was previously part of the Construction products segment and the sale of certain component parts, including equipment and excess inventory, of Royal Ecoproducts Co. which is part of the Support segment. In addition, the Company adjusted its valuation provision with respect to the investment in Royal Building Systems Mexico, which is part of the Construction products segment. As a result, the Company recognized an aggregate gain of $16,977 (pre-tax). The total consideration was $29,347 of which $25,347 was received on closing. The balance of the consideration of $4,000 remains outstanding and is included in other receivables on the consolidated balance sheet.

At June 30, 2006, the following non-core businesses continue to be classified as discontinued operations:

(i) Construction products:

Royal Building Systems Argentina, Royal Building Systems Colombia, Royal Building Systems Mexico, Royal Building Systems Poland

(ii) Window covering products:

Royal Window Coverings LTDA (Brasil) and Novo Europe B.V.

(iii) Support:

Royal Ecoproducts Co.

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ROYAL GROUP TECHNOLOGIES LIMITED
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3. Assets Held for Sale including Discontinued Operations (Continued)

The following tables show revenue and net after-tax results from discontinued operations for the three months ended June 30, 2006 and June 30, 2005:

Three months ended June 30, 2006	**Revenue**	**Earnings (loss) from operating activities**	**Gain (loss) on sale of businesses or components parts**	**Income tax recovery (expense)**	**Earnings (loss)**
Reporting segment:					
Construction products	$ 9,394	$ (2,573)	$ 16,285	$ (3,780)	$ 9,932
Home improvement products					
Window covering products	1,835	91		(32)	59
Support	2,119	(2,442)	692	(369)	(2,119)
Intercompany eliminations	(3,023)				
	$ 10,325	$ (4,924)	$ 16,977	$ (4,181)	$ 7,872

Three months ended June 30, 2005	**Revenue**	**Earnings (loss) from operating activities**	**Gain (loss) on sale of businesses or components parts**	**Income tax recovery (expense)**	**Earnings (loss)**
Reporting segment:					
Construction products	$ 23,486	$ (1,823)	$	$ (597)	$ (2,420)
Home improvement products	24,078	(1,077)		574	(503)
Window covering products	2,003	118		(39)	79
Support	18,090	(2,419)		560	(1,859)
Intercompany eliminations	(5,169)				
	$ 62,488	$ (5,201)	$	$ 497	$ (4,703)

The following tables show revenue and net after-tax results from discontinued operations for the six months ended June 30, 2006 and June 30, 2005:

Six months ended June 30, 2006	**Revenue**	**Earnings (loss) from operating activities**	**Gain (loss) on sale of businesses or components parts**	**Income tax recovery (expense)**	**Earnings (loss)**
Reporting segment:					
Construction products	$ 27,616	$ (2,293)	$ 16,285	$ (4,467)	$ 9,525
Home improvement products	2,004	(2)	(6,364)	6,352	(14)
Window covering products	3,855	140		(46)	94
Support	5,445	(4,655)	1,029	1,058	(2,568)
Intercompany eliminations	(5,956)				
	$ 32,964	$ (6,810)	$ 10,950	$ 2,897	$ 7,037

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3. Asset Held for Sale including Discontinued Operations (Continued)

Six months ended June 30, 2005	**Revenue**	**Earnings (loss) from operating activities**	**Gain (loss) on sale of businesses or components parts**	**Income tax recovery (expense)**	**Earnings (loss)**
Reporting segment:					
Construction products	$ 41,696	$ (113)	$	$ (1,081)	$ (1,194)
Home improvement products	52,636	(592)		350	(242)
Window covering products	3,844	232		(66)	166
Support	26,793	(7,272)		2,509	(4,763)
Intercompany eliminations	(11,436)				
	$ 113,533	$ (7,745)	$	$ 1,712	$ (6,033)

(b) Assets held for sale:

As part of the Company s plan to divest certain non-core business units and non-performing operations at December 31, 2005, the Company had identified excess manufacturing real estate. The net assets related to these real estate properties have been identified, reclassified as assets held for sale and measured at the lower of cost or net realizable value.

In addition, at December 31, 2005, the Company had identified certain other business units, which it intended to divest, but which did not qualify for reclassification as discontinued operations under the relevant accounting guidelines. Accordingly, the Company identified and reclassified their net assets as held for sale, which were measured at the lower of cost or net realizable value.

During the first quarter of 2006, the Company completed the sale of Vinyltech Inc. together with a portion of the excess manufacturing real estate. The Company recognized an aggregate gain of $9,405, which is recorded in other items. The total consideration was $71,067, of which $42,727 was received on closing. The balance of the consideration of $28,341 remains outstanding and is included in current other receivables on the consolidated balance sheet.

During the second quarter of 2006, the Company completed the sale of a distribution company and a portion of the excess manufacturing real estate. The Company recognized an aggregate gain of $12,221, which is recorded in other items. The total consideration was $45,693 of which $42,693 was received on closing. The balance of the consideration of $3,000 remains outstanding and is included in current other receivables on the consolidated balance sheet.

(c) Current other receivables:

Current other receivables consist of $28,341 in notes receivable and a $3,000 deferred payment. The Company received cash payment for all the outstanding balances in July 2006.

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3. Asset Held for Sale including Discontinued Operations (Continued)

(d) Other Receivables

Other receivables consist of $10,752 in non-interest bearing notes receivable due January 12, 2011 and $4,425 in notes receivable and deferred payments with repayment terms commencing in the fourth quarter of 2007 and continuing through 2010. The notes receivable of $4,000 relate to the dispositions noted in note 3(a). The remaining $425 relates to the proceeds on sale of an equity investment closed in the second quarter ending June 30, 2006 (see note 9). The notes receivable and deferred payments have been recorded at the amount which is the estimated collectable value.

4. Interest in Joint Ventures

The Company s proportionate interest in joint ventures includes the following:

	As at June 30, 2006	**As at December 31, 2005**
Assets:		
Current assets	$ 9,412	$ 10,222
Property, plant and equipment	9,125	10,391
Other long-term assets	46	161
	18,583	20,774
Liabilities:		
Current liabilities	5,723	5,929
Future income tax liabilities	1,295	1,381
Long-term liabilities	838	1,078
	7,856	8,388
Net assets	$ 10,727	$ 12,386

	3 months ended June 30, 2006	**3 months ended June 30, 2005**	**6 months ended June 30, 2006**	**6 months ended June 30, 2005**
Net sales	$ 11,460	$ 12,105	$ 20,689	$ 21,592
Net earnings	487	1,272	936	1,760

	3 months ended June 30, 2006	**3 months ended June 30, 2005**	**6 months ended June 30, 2006**	**6 months ended June 30, 2005**
Cash provided by (used in) operating activities	$ 695	$ 1,992	$ 267	$ 2,252
Acquisition of property, plant and equipment	273	71	394	194

The Company is contingently liable for the proportionate share of its joint venture partners liabilities but has recourse to the assets of the Joint Ventures.

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5. Accounts Receivable

	As at June 30, 2006	As at December 31, 2005
Trade	$ 305,256	$ 222,400
Allowance for doubtful accounts	(15,794)	(19,512)
	289,462	202,888
Income taxes and other	14,980	25,696
	$ 304,442	$ 228,584

6. Inventories

	As at June 30, 2006	As at December 31, 2005
Raw materials and work in process	$ 114,632	$ 112,988
Finished goods	241,353	233,899
	$ 355,985	$ 346,887

7. Property, Plant and Equipment

As At June 30, 2006	Cost	Accumulated amortization	Net book value
Land	$ 66,457	$	$ 66,457
Buildings	417,128	106,184	310,944
Plant equipment	927,092	459,885	467,207
Dies and moulds	223,423	161,265	62,158
Office and computer equipment and computer software	46,183	39,950	6,233
Aircraft and transport equipment	17,432	14,658	2,774
	1,697,715	781,942	915,773
Assets under construction	25,400		25,400
	$ 1,723,115	$ 781,942	$ 941,173

	Cost	Accumulated amortization	Net book value
As At December 31, 2005			
Land	$ 66,882	$	$ 66,882
Buildings	418,881	100,797	318,084
Plant equipment	932,830	434,399	498,431
Dies and moulds	232,569	166,111	66,458
Office and computer equipment and computer software	43,089	37,275	5,814
Aircraft and transport equipment	17,554	14,560	2,994
	1,711,805	753,142	958,663
Assets under construction	22,374		22,374
	$ 1,734,179	$ 753,142	$ 981,037

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7. Property, Plant and Equipment (Continued)

Total amortization expense for property, plant and equipment was $24,848 and $51,603 (2005 $30,429 and $60,579) for the three months and six months, respectively.

8. Goodwill

In accordance with the CICA Handbook 3062 Goodwill and Other Intangible Assets, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the fair value of a reporting unit may be below the carrying value of the same reporting unit. During the quarter ended June 30, 2006, the Company entered into a Plan of Arrangement with Georgia Gulf Corporation (Georgia Gulf) to acquire all of the common shares of the Company at $13.00 per share. As a result of this event, management compared the fair value of each of the reporting units with its carrying amount, including the goodwill allocated to the respective reporting unit. The fair value of the reporting units was calculated using discounted future cash flows. The calculation was performed in a manner consistent with the goodwill analysis conducted as of December 31, 2005, but was based upon updated data to June 30, 2006 including the cash payment contemplated under the Plan of Arrangement with Georgia Gulf. Management concluded that goodwill was impaired in three reporting units contained within two reporting segments, namely Home improvement products and Window covering products at June 30, 2006. As a result, the Company has recorded an impairment charge of $25,496 for the three months ended June 30, 2006, which is recorded in other items (note 16).

The changes in the carrying amount of goodwill for the Company s reporting segments for the six months ended June 30, 2006 are as follows:

	Custom profiles & mouldings	Building products	Construction products	Home improvement products	Window covering products	Materials	Support	Total
Balance, December 31, 2005	$ 109,328	$ 20,248	$ 20,342	$ 13,887	$ 11,824	$ 9,400	$ 9,326	$ 194,355
Foreign exchange revaluation	(911)	(169)	(170)	(116)	(99)	(78)	(119)	(1,662)
Impairment loss				(13,771)	(11,725)			(25,496)
Balance, June 30, 2006	$ 108,417	$ 20,079	$ 20,172	$	$	$ 9,322	$ 9,207	$ 167,197

The Company will continue to test for goodwill impairment on an annual basis in the fourth quarter of each year, and at any time if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The fair values of the reporting units are calculated using discounted future cash flows, which contain assumptions regarding future operating performance. These assumptions include revenue growth rates, margin assumptions, discount rates and terminal rates. The Company regularly monitors the forecasted cash flows of its reporting units and any significant adverse changes in circumstances or assumptions would require the Company to test for goodwill impairment.

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9. Other Assets

	As at June 30, 2006	**As at December 31, 2005**
Patents, net of accumulated amortization of $7,211 (2005 $7,522)	$ 6,029	$ 5,935
Deferred financing costs, net of accumulated amortization of $1,366 (2005 $2,067)	972	1,089
	7,001	7,024
Investments	4,153	4,324
	$ 11,154	$ 11,348

Amortization expense for patents was $229 and $454 (2005 $265 and $579) for the three months and six months, respectively. Amortization expense for deferred financing costs was $59 and $117 (2005 $67 and $133) for the three months and six months, respectively.

Investments include the Company s holdings in associated companies and other business ventures accounted for by the equity and cost methods. During the second quarter of 2006, the Company completed the sale of an equity investment. The Company recognized an aggregate gain of $411 (pre-tax), which is recorded in other items (note 16). The total consideration was $425, all of which is deferred and included in other receivables on the consolidated balance sheet.

Equity in loss of the investments was $70 and $401 (2005 $912 and $1,086) for the three and six months, respectively.

10. Bank indebtedness

	As at June 30, 2006	**As at December 31, 2005**
Bank indebtedness	$ 151,948	$ 158,789

The Company entered into a credit agreement as of February 21, 2005 with a syndicate of three banks, which provides for a $312,500 committed, secured multi-currency revolving credit facility to be made available to the Company and certain of its U.S. subsidiaries. This credit facility contains provisions to reduce the available limit to reflect any asset dispositions other than accounts receivable and inventory. The credit agreement was subsequently amended to reduce the available limit of the credit facility by an amount equal to all divestiture proceeds in excess of $100,000. As a result, the available limit under the credit facility as at June 30, 2006 was $266,140. The credit facility may be used for general operating and corporate purposes, and was initially drawn to repay the term bank loan owed under a previous credit agreement dated as of August 1, 2000. The credit facility is secured by a pledge of substantially all the assets of the Company and its subsidiaries, and by upstream guarantees from various non-borrowing subsidiaries. Under the terms of the credit agreement, the Company is required to satisfy various financial and other covenants, including the maintenance of certain financial ratios. The Company was in compliance with these covenants as at June 30, 2006. The agreement was extended as of December 21, 2005, and matures December 31, 2006.

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10. Bank indebtedness (Continued)

Borrowings under the credit agreement are available at the Company s option by way of Canadian prime rate advances, base rate Canada advances, Canadian bankers acceptances, base rate U.S. advances, LIBOR Advances, or swingline advances, plus an interest rate margin, as well as by way of letters of credit.

In addition to the above, credit facilities totaling the equivalent of $27,283 (December 31, 2005 $68,487) have been arranged with various local banks to assist certain of the Company s international subsidiaries in funding their operations. The terms and conditions of these arrangements vary in accordance with local practices, and the Company has guaranteed repayment of a portion of the amounts drawn under certain of the facilities in the event of a default by the borrowing subsidiary. As of June 30, 2006, a total of $27,283 (December 31, 2005 $41,881) was drawn under these facilities.

11. Accounts Payable and Accrued Liabilities

	As at June 30, 2006	**As at December 31, 2005**
Trade	$ 149,654	$ 174,329
Income taxes and other	179,029	100,417
	$ 328,683	$ 274,746

12. Term debt

	As at June 30, 2006	**As at December 31, 2005**
7.17% U.S.$ 15 million Senior Unsecured Notes, Series A, due August 31, 2006	$ 16,725	$ 17,489
7.31% U.S.$ 25 million Senior Unsecured Notes, Series B, due August 31, 2006	27,875	29,147
7.10% U.S.$ 115 million Senior Unsecured Notes, Series D, due November 14, 2007	128,225	134,078
6.90% CDN$ Medium Term Notes due April 13, 2010	116,532	116,532
3.5% U.S.$ 1.5 million Promissory Note, due May 22, 2007	233	377
	289,590	297,623
Less current portion	44,812	46,902
	$ 244,778	$ 250,721

Each of the Series A, Series B and Series D Senior Unsecured Notes is denominated in U.S. dollars and bears interest at the above rates, with interest payable quarterly in arrears. The Series A Notes require annual principal payments of U.S. $15,000 on August 31 of each year commencing in 2002. The Series B and Series D balances outstanding are due in full on the dates shown.

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12. Term debt (Continued)

The Medium Term Notes are denominated in Canadian dollars, are senior unsecured obligations of the Company, and bear interest at 6.90% payable semi-annually in arrears. Various subsidiaries of the Company guarantee repayment of amounts due pursuant to the Trust Indenture under which the Medium Term Notes were issued.

The 3.5% Promissory Note is denominated in U.S. dollars and is repayable in monthly principal and interest payments to effect a 10 year amortization. The obligation is secured by an irrevocable standby letter of credit.

Aggregate principal payments required over the next five years as follows:

2006	$ 44,812
2007	128,246
2008	
2009	
2010	116,532
	$ 289,590

13. Capital Stock

The Company s authorized capital stock consists of the following:

(a) Preferred shares:

There is an unlimited number of authorized preferred shares without par value, issuable in series, with rights and terms of each series to be fixed by the Board of Directors prior to the issue of such series. No preferred shares are issued or outstanding.

(b) Common shares (formerly subordinated voting shares):

There is an unlimited number of common voting shares without par value. Each share is entitled to one vote per share at all meetings of shareholders and is entitled to dividends ranking junior to the preferred shares.

There has been no issuance of common shares during the six months ended June 30, 2006.

	Shares	**Amount**
Balance, December 31, 2005 and June 30, 2006	93,444,502	$ 634,866

(c) Multiple voting common shares:

As part of the Company s overall settlement with its former controlling shareholder, as described in note 2 to the interim consolidated financial statements, the outstanding multiple voting shares that were directly or indirectly owned by the former controlling shareholder were converted on a one-for-one basis into subordinate voting shares during the second quarter ended June 30, 2005.

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13. Capital Stock (Continued)

Subsequently, the Company filed Articles of Amendment to remove the multiple voting shares and the subordinated voting shares as well as rights, privileges, restrictions and conditions attached thereto and replaced them with one class of voting shares.

(d) Stock option plan:

The table below is a summary of the status of the Company s stock option program.

	Number of options	Weighted average exercise price
Outstanding, January 1, 2006	3,192,828	$ 26.50
Granted	20,000	9.84
Exercised		
Cancelled/expired	(952,000)	27.89
Outstanding, June 30, 2006	2,260,828	$ 25.76
Exercisable, June 30, 2006	1,647,828	$ 28.17

The fair value of each option granted is estimated on the grant date using the Black-Scholes option pricing model. During 2006, 20,000 (2005 150,000) stock options were granted with the following weighted average assumptions:

Assumptions	2006
Risk-free interest rate	3.9%
Expected life	5.3 years
Expected volatility	52.4%
Dividend yield	
Weighted average fair value of options granted	$ 4.98

These options are substantially exercisable as to half on or after three years from the date of issue, with the balance after six years from the date of issue and all options expire nine years after date of issue.

For the three months ended June 30, 2006 and June 30, 2005, the Company recorded a compensation expense for stock options of $115 and $49, respectively. For the six months ended June 30, 2006 and June 30, 2005, the Company recorded a compensation expense for stock options of $225 and $49, respectively.

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13. Capital Stock (Continued)

(e) Senior Management Incentive Plan (SMIP):

The table below is a summary of the status of the Company s SMIP.

	Number of RSU s
Outstanding, January 1, 2006	1,215,000
Granted	50,000
Exercised	
Cancelled	(160,000)
Outstanding, June 30, 2006	1,105,000

For the three months ended June 30, 2006 and June 30, 2005, the Company recorded a compensation expense (recovery) for restricted share units (RSUs) of $(2,658) and $1,860, respectively. For the six months ended June 30, 2006 and June 30, 2005, the Company recorded a compensation expense (recovery) for RSUs of $(1,067) and $3,024, respectively. A compensation recovery for RSUs was recorded in the three months ended June 30, 2006 as it was determined that not all the achievement targets would be met.

(f) Directors Deferred Stock Unit Plan (DSUP):

The Company maintains a DSUP for the benefit of the members of the Board of Directors. There were 118,932 deferred stock units outstanding at June 30, 2006 with a total recorded value of $1,466. At December 31, 2005, there were 107,988 deferred stock units outstanding with a total value of $1,123.

For the three months ended June 30, 2006 and June 30, 2005, the Company recorded a compensation expense for deferred stock units of $319 and $1,045 respectively. For the six months ended June 30, 2006 and June 30, 2005, the Company recorded a compensation expense for deferred stock units of $343 and $1,045 respectively.

14. Contributed Surplus

	As at June 30, 2006	As at December 31, 2005
Contributed surplus, beginning of period	$ 8,020	$ 3,703
SMIP compensation (note 13(e))	(1,067)	5,148
Stock options	225	281
Exercise of RSUs under the Restricted Stock Unit Plan		(1,112)
Contributed surplus, end of period	$ 7,178	$ 8,020

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15. Earnings (Loss) per Share

Basic and diluted earnings (loss) per share have been calculated using the weighted average method. The maximum dilutive number of shares has been calculated using the treasury stock method.

	3 months ended June 30, 2006			3 months ended June 30, 2005		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Basic and diluted earnings (loss) per share						
Net earnings (loss)	$ (40,375)	$ 7,872	$ (32,503)	$ 23,286	$ (4,703)	$ 18,583
Basic earnings (loss) per share	(0.43)	0.08	(0.35)	0.25	(0.05)	0.20
Diluted earnings (loss) per share	(0.43)	0.08	(0.35)	0.25	(0.05)	0.20
Weighted average shares outstanding						
Basic	93,444,502	93,444,502	93,444,502	93,444,500	93,444,500	93,444,500
Effect of dilutive securities	1,126,177	1,126,177	1,126,177	1,080,000	1,080,000	1,080,000
Diluted*	94,570,679	94,570,679	94,570,679	94,524,500	94,524,500	94,524,500
Excluded as anti-dilutive**	2,240,828	2,240,828	2,240,828	3,200,078	3,200,078	3,200,078

	6 months ended June 30, 2006			6 months ended June 30, 2005		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Basic and diluted earnings (loss) per share						
Net earnings (loss)	$ (59,156)	$ 7,037	$ (52,119)	$ 13,221	$ (6,033)	$ 7,188
Basic earnings (loss) per share	(0.63)	0.07	(0.56)	0.14	(0.06)	0.08
Diluted earnings (loss) per share	(0.63)	0.07	(0.56)	0.14	(0.06)	0.08
Weighted average shares outstanding						
Basic	93,444,502	93,444,502	93,444,502	93,431,879	93,431,879	93,431,879
Effect of dilutive securities*	1,146,355	1,146,355	1,146,355	1,048,333	1,048,333	1,048,333
Diluted	94,590,857	94,590,857	94,590,857	94,480,212	94,480,212	94,480,212
Excluded as anti-dilutive**	2,240,828	2,240,828	2,240,828	3,200,078	3,200,078	3,200,078

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* Due to the net loss for both the three months and six months ended June 30, 2006, diluted loss per share has been calculated using the basic weighted average number of Common Shares outstanding, as the inclusion of any potential dilutive securities would be anti-dilutive.

** Excluded from the calculation of diluted net loss per share because the exercise price of the stock options was greater than or equal to the average price of the Common Shares.

16. Other items

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Goodwill impairment	$ 25,496	$	$ 25,496	$
Gain on sale of real estate	(2,843)		(14,038)	
Gain on sale of businesses	(9,748)		(9,746)	
Restructuring costs	2,734		5,059	
Other	(34)		1,023	
	$ 15,605	$	$ 7,794	$

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17. Income Taxes

During the six-month period ended June 30, 2006, the Company recorded an income tax expense on its pre-tax loss reported under GAAP. The effective tax rate for the year to date was 50.4%, compared to 25.1% in 2005. The effective tax rate for the quarter was 191.5%, compared to the 25.7% in the previous quarter ended March 31, 2006 and 25.3% for fiscal 2005. The change in the income tax rate was substantially due to the impact of Quebec s retroactive legislation resulting in a one time charge to current income tax expense of $30,700 and an interest charge of $8,624 which is recorded in interest and financing charges and the long term tax rate changes tabled in Bill-C13. On June 22, 2006 Bill C13 received royal assent that introduced among other changes an increase in the general rate reduction from 7% to 7.5% effective on January 1, 2008 to 8% on January 1, 2009 and to 9% on January 1, 2010, to increase M&P deduction to mirror the general rate reduction and to eliminate the corporate surtax effective January 1, 2008. As a result of the rate changes, the Company s Canadian future tax liability resulting from its long term timing differences was reduced by $8,958.

18. Segment Reporting Data

Operating segments are defined as components of an enterprise about which separate financial information is available and which, are evaluated regularly by senior financial decision-makers in allocating resources and assessing performance. The following table summarizes the segments on which the Company reports.

Reportable segments	**Core product divisions**
Custom profiles & mouldings	Custom Window Profiles and Interior & Exterior Mouldings
Building products	Exterior Cladding
Construction products	Pipe and Fittings and Building Systems
Home improvement products	Deck, Fence and Railing and Outdoor Storage
Window covering products	Window Coverings
Materials	Materials (Resins, Additives, PVC and Recycling)
Support	Real Estate

Performance is evaluated based on pre-tax earnings before amortization and interest.

Net sales by geographic region for three months ended June 30, 2006 were 59.9% (2005 61.5%) to the U.S., 38.4% (2005 36.9%) to Canada and 1.7% (2005 1.6%) to other markets. For the six months ended June 30, 2006, net sales by geographic region were 63.1% (2005 63.7%) to the U.S., 35.4%
(2005 34.5%) to Canada and 1.5% (2005 1.8%) to other markets.

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18. Segment Reporting Data (Continued)

The following tables present financial information for the period as at June 30, 2006 and do not include amounts classified as assets held for sale. Segment information for assets held for sale is contained in note 3. The information for both the three months and six months ended June 30, 2006 is from continuing operations.

The accounting policies for each of the segments are described in Note 1 of the audited consolidated financial statements for the year ended December 31, 2005. Inter-segment transactions are negotiated as if the transactions were to third parties, at market prices.

3 months ended June 30, 2006	Custom profiles & mouldings	Building products	Construction products	Home improvement products	Window covering products	Materials	Support	Total
Gross sales	$ 196,817	$ 95,422	$ 81,346	$ 55,238	$ 30,489	$ 122,013	$ 19,893	$ 601,218
Eliminations	10,255	(192)	(242)	352	143	113,137	19,341	142,794
Net sales	$ 186,562	$ 95,614	$ 81,588	$ 54,886	$ 30,346	$ 8,876	$ 552	$ 458,424
Gross profit	$ 47,586	$ 25,623	$ 23,513	$ 10,257	$ 3,088	$ 6,242	$ 5,139	$ 121,448
Pre-tax earnings before amortization and interest	30,541	4,279	5,897	(684)	(4,255)	3,838	3,518	43,134
Amortization charges	13,401	1,577	2,114	1,035	1,128	2,999	2,823	25,077
Acquisition of property, plant and equipment and goodwill	10,170	724	4,263	907	193	1,026	3,771	21,054
Goodwill	108,417	20,079	20,172			9,322	9,207	167,197
Total assets	556,748	225,903	272,076	125,484	102,498	195,641	369,248	1,847,598

3 months ended June 30, 2005	Custom profiles & mouldings	Building products	Construction products	Home improvement products	Window covering products	Materials	Support	Total
Gross sales	$ 211,165	$ 91,231	$ 91,050	$ 62,162	$ 42,905	$ 111,625	$ 26,022	$ 636,160
Eliminations	10,986	111	1,887	976	5,560	104,945	25,015	149,480
Net sales	$ 200,179	$ 91,120	$ 89,163	$ 61,186	$ 37,345	$ 6,680	$ 1,007	$ 486,680
Gross profit	$ 55,473	$ 21,110	$ 18,734	$ 9,421	$ 7,344	$ 12,999	$ 2,727	$ 127,808
Pre-tax earnings before amortization and interest	48,514	3,946	3,541	2,541	(3,755)	11,964	4,036	70,787
Amortization charges	12,746	1,450	3,744	2,925	1,826	2,321	5,682	30,694
Acquisition of property, plant and equipment and goodwill	10,706	1,007	812	3,706	615	1,218	(963)	17,101
Goodwill	115,266	21,404	25,342	19,498	12,609	10,193	10,067	214,379
Total assets	617,663	214,742	448,552	247,802	140,223	213,066	557,945	2,439,993

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18. Segment Reporting Data (Continued)

The accounting policies for each of the segments are described in Note 1 of the audited consolidated financial statements for the year ended December 31, 2005. Inter-segment transactions are negotiated as if the transactions were to third parties, at market prices.

6 months ended June 30, 2006	**Custom profiles & mouldings**	**Building products**	**Construction products**	**Home improvement products**	**Window covering products**	**Materials**	**Support**	**Total**
Gross sales	$ 355,641	$ 167,188	$ 141,229	$ 82,183	$ 59,591	$ 211,312	$ 40,658	$ 1,057,802
Eliminations	22,447	46	1,174	641	850	196,652	39,484	261,294
Net sales	$ 333,194	$ 167,142	$ 140,055	$ 81,542	$ 58,741	$ 14,660	$ 1,174	$ 796,508
Gross profit	$ 77,186	$ 40,893	$ 35,663	$ 10,951	$ 6,023	$ 9,391	$ 9,681	$ 189,788
Pre-tax earnings before amortization and interest	31,991	4,249	5,929	(926)	(4,522)	3,969	3,824	44,514
Amortization charges	23,400	2,999	6,086	4,043	2,860	5,633	7,036	52,057
Acquisition of property, plant and equipment and goodwill	19,396	1,862	5,647	1,698	458	1,967	2,437	33,465
Goodwill	108,417	20,079	20,172			9,322	9,207	167,197
Total assets	556,748	225,903	272,076	125,484	102,498	195,641	369,248	1,847,598

6 months ended June 30, 2005	**Custom profiles & mouldings**	**Building products**	**Construction products**	**Home improvement products**	**Window covering products**	**Materials**	**Support**	**Total**
Gross sales	$ 363,839	$ 152,788	$ 153,258	$ 96,857	$ 84,519	$ 200,939	$ 50,526	$ 1,102,726
Eliminations	21,104	111	4,665	2,339	13,549	189,186	48,442	279,396
Net sales	$ 342,735	$ 152,677	$ 148,593	$ 94,518	$ 70,970	$ 11,753	$ 2,084	$ 823,330
Gross profit	86,206	35,213	28,123	12,408	13,865	22,088	9,226	207,129
Pre-tax earnings before amortization and interest	66,173	4,000	1,023	1,358	(7,608)	17,869	10,632	93,447
Amortization charges	25,155	2,775	7,134	5,636	3,451	5,109	11,898	61,158
Acquisition of property, plant and equipment and goodwill	20,003	2,909	2,915	7,028	945	2,062	956	36,818
Goodwill	115,266	21,404	25,342	19,498	12,609	10,193	10,067	214,379
Total assets	617,663	214,742	448,552	247,802	140,223	213,066	557,945	2,439,993

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19. Supplemental Cash Flow Information

(a) Items not affecting cash (bank indebtedness) of continuing operations:

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Gain on sale of businesses	$ (11,854)	$	$ (22,231)	$
Goodwill impairment	25,496		25,496	
Amortization charges	25,077	30,694	52,057	61,158
Amortization of deferred financing costs	59	67	117	133
Future income taxes	(3,698)	(1,762)	(14,241)	(8,309)
Other	2,649	5,195	6,590	10,935
Cash provided	$ 37,729	$ 34,194	$ 47,788	$ 63,917

(b) Change in non-cash working capital:

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Accounts receivable	$ (73,992)	$ (65,507)	$ (91,662)	$ (109,038)
Inventories	17,961	36,364	(15,781)	(14,333)
Prepaid expenses	(7,914)	(3,503)	(7,981)	(10,538)
Accounts payable and accrued liabilities	61,294	29,848	60,572	13,782
Cash used	$ (2,651)	$ (2,798)	$ (54,852)	$ (120,127)

20. Commitments

As noted in Note 21 of the 2005 audited consolidated financial statements, the Company has a long-term agreement with Westlake Vinyls Inc. (Westlake) for the annual purchase of up to 460 million pounds of vinyl chloride monomer. The agreement with Westlake had a pricing mechanism that was linked to data published in two industry trade magazines. On January 1, 2006, one of the trade magazines ceased publishing the pricing information. On April 7, 2006, the Company filed a Notice of Application seeking a court order declaring that this long-term agreement with Westlake is void and unenforceable. Subsequently, Westlake filed its own application seeking a determination that the supply agreement is valid. In efforts to resolve this dispute, the Company and Westlake entered into discussions aimed at arriving at a new mutually agreed pricing mechanism. Those discussions did not result in an agreement and the applications by the parties are now scheduled to be heard by the court in late October 2006.

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21. Contingencies

The Company and certain of its former officers and directors have been named as defendants in two shareholder lawsuits filed in the United States District Court for the Southern District of New York that seek class action status. The first complaint was filed on February 2, 2006. The second complaint was filed on February 3, 2006. Both of these actions purport to be brought on behalf of:

(a) All United States citizens and entities that purchased or otherwise acquired the common stock of Royal Group on the New York Stock Exchange or the Toronto Stock Exchange; and

(b) All foreign persons and entities that purchased or otherwise acquired the common stock of Royal Group on the New York Stock Exchange between February 24, 2000 and October 18, 2004.

Plaintiffs in both actions allege that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by, among other things, failing to disclose certain related-party transactions. The complaints each seek certification of the putative class, unspecified damages, reasonable costs and attorneys fees, and other relief the court may deem appropriate.

On April 3, 2006, three putative class members moved to consolidate these two related actions, to be appointed joint Lead Plaintiffs and for approval of their counsel as Lead Counsel. On June 22, 2006, the Court orally granted this motion, which consolidated these two actions, named the three putative class members as Lead Plaintiffs, and approved their selection of Lead Counsel.

Lead Plaintiffs filed a consolidated amended complaint on July 24, 2006. Pursuant to the Court s scheduling order, defendants motions to dismiss the consolidated amended complaint must be filed no later than September 22, 2006, and briefing of defendants motions to dismiss is to be completed no later than December 21, 2006.

The Company, certain of its former officers and certain of its former and current directors also have been named as defendants in a proposed shareholder class action lawsuit filed on February 24, 2006 in the Ontario Superior Court of Justice (the Ontario Action). The Ontario Action seeks to bring a class action on behalf of all persons who acquired securities of the Company from February 26, 1998 to October 18, 2004. It claims damages for oppression and negligent misrepresentation of $700,000, punitive damages of $300,000 as well as interest and costs. The Ontario Action alleges, among other things, that the Company failed to disclose certain related party transactions.

The Company is presently unable to determine whether these actions will have a material adverse effect on the business, results of operations, financial condition and liquidity of the Company and intends to defend itself vigorously in these actions.

As noted in Note 22 of the 2005 audited consolidated financial statements, the Company has received a demand letter from U.S. counsel for an individual shareholder. It threatens a court application for leave to bring a derivative action on behalf of the Company against certain former officers of the Company in respect of related party transactions, as well as senior officers and directors of the Company since January 1998, if the Company itself does not commence the demanded action. The Company s Audit Committee is in the process of reviewing the demand and will make a recommendation to the Board on how to proceed.

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21. Contingencies (Continued)

The Company is the subject of a criminal investigation being conducted by the Antitrust Division of the United States Department of Justice (Department of Justice). The investigation focuses on alleged price fixing in the window coverings industry. The Company recently reached an agreement in principle to resolve the matter with the Department of Justice for an amount the Company had previously accrued in its financial statements to settle the matter. The Company has not yet finalized an agreement with the Department of Justice.

The Company has also been contacted by counsel for a group of potential civil plaintiffs (direct purchasers) that have indicated their intention to commence civil litigation against the Company pertaining to the conduct that is the subject of the Department of Justice investigation. As of this report, no civil lawsuits have been filed.

The Company is also involved in various claims, legal proceedings, investigations and complaints arising in the course of business. Where the Company expects to incur a loss as a result of a claim, an estimate of the loss has been recorded as an expense. In all other cases, the Company cannot determine whether these claims, legal proceedings, investigations and complaints will, individually or collectively, have a material adverse effect on the business, results of operations and financial condition and liquidity of the Company. The Company is presently unable to determine whether these actions will have a material adverse effect on the business, results of operations, financial condition and liquidity of the Company.

22. Related Party Transactions

Related party transactions with companies related to the former controlling shareholder totalled $50 and $108 (2005 $69 and $132) for the three and six months ended June 30, respectively. Related party transactions principally between a non-wholly owned subsidiary and minority shareholders of this subsidiary totalled $379 and $1,199 (2005 $1,941 and $3,359) for the three and six months ended June 30, respectively.

At June 30, 2006, there are accounts receivable from companies related to the former controlling shareholder of $15 (2005 $32) and an account receivable from the former controlling shareholder of nil (2005 $1,130). Payment of $1,130 was received in July 2005. At June 30, 2006, there are accounts receivable of $21 (2005 $198) and accounts payable of $84 (2005 $438) relating to other related parties.

These related party transactions were in the normal course of the Company s business, and involved either the sale of products manufactured by the Company and sold at prices and terms consistent with those available to third parties, the recovery of costs incurred in respect of certain shared services or the purchase of other goods and services such as rent for premises.

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23. Significant Differences between Canadian and United States Generally Accepted Accounting Principles

These consolidated financial statements have been prepared in accordance with Canadian GAAP. In certain respects, U.S. GAAP differs from Canadian GAAP. The following is a summary of the effect of significant differences in GAAP on the consolidated financial statements:

(a) Description of GAAP differences:

(i) Substantively enacted tax laws and rates:

Canadian GAAP permits the recognition of the impact of substantively enacted changes in tax laws and rates on the measurement of future income tax assets and liabilities in the period those tax laws and rates have been substantively enacted. There were substantively enacted rates for the quarter ended June 30, 2006.

U.S. GAAP does not recognize the concept of substantively enacted tax laws and rates and only allows recognition of the impact of a tax rate reduction on future income tax assets and liabilities once it is passed into a law.

(ii) Comprehensive income:

The Financial Accounting Standards Board (FASB) in the United States issued Statement of Financial Accounting Standard (SFAS) No. 130, which establishes standards for reporting and display of comprehensive income and its components (revenue, expenses, gains and losses) in a full set of general purpose financial statements. SFAS No. 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Canadian GAAP has issued similar guidance effective for fiscal periods beginning on or after October 1, 2006.

(iii) Incorporated joint ventures:

U.S. GAAP requires investments in incorporated joint ventures to be accounted for under the equity method, while under Canadian GAAP, the accounts of incorporated joint ventures are proportionately consolidated. However, under rules promulgated by the SEC, a foreign registrant may, subject to the provision of additional information, continue to follow proportional consolidation for purposes of registration and other filings notwithstanding the departure from U.S. GAAP. Consequently, the additional information regarding the Company s interest in joint ventures is presented in note 4.

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23. Significant Differences between Canadian and United States Generally Accepted Accounting Principles (Continued)

(b) Net earnings (loss) in accordance with U.S. and Canadian GAAP:

	3 months ended June 30, 2006	**3 months ended June 30, 2005**	**6 months ended June 30, 2006**	**6 months ended June 30, 2005**
Net earnings (loss) in accordance with Canadian GAAP	$ (32,503)	$ 18,583	$ (52,119)	$ 7,188
Differences in GAAP increasing (decreasing) reported earnings:				
Substantially enacted tax laws and rates	(8,958)		(8,958)	
Net income (loss) under U.S. GAAP	(41,461)	18,583	(61,077)	7,188
Earnings (loss) under U.S. GAAP from continuing operations	(49,333)	23,286	(68,114)	13,221
Earnings (loss) under U.S. GAAP from discontinued operations	7,872	(4,703)	7,037	(6,033)
Net income (loss) under U.S. GAAP	$ (41,461)	$ 18,583	$ (61,077)	$ 7,188
Basic and diluted earnings (loss) per common share, under U.S. GAAP, from:				
Continuing operations	(0.52)	0.25	(0.73)	0.14
Discontinued operations, net of tax	0.08	(0.05)	0.08	(0.06)
Basic and diluted earnings (loss) per common share	$ (0.44)	$ 0.20	$ (0.65)	$ 0.08

(c) Comprehensive income (loss) for U.S. GAAP purposes is determined as follows:

	3 months ended June 30, 2006	**3 months ended June 30, 2005**	**6 months ended June 30, 2006**	**6 months ended June 30, 2005**
Net earnings (loss) in accordance with U.S. GAAP	$ (41,461)	$ 18,583	$ (61,077)	$ 7,188
Foreign currency translation adjustment	(11,652)	3,650	(9,774)	5,402
Comprehensive earnings (loss) based on U.S. GAAP	$ (53,113)	$ 22,233	$ (70,851)	$ 12,590

(d) Shareholders equity in accordance with U.S. GAAP:

	As at June 30, 2006	**As at December 31, 2005**
Shareholders equity in accordance with Canadian GAAP	$ 1,047,567	$ 1,110,303
Substantively enacted tax laws and rates	(8,958)	
Shareholders equity in accordance with U.S. GAAP	$ 1,038,609	$ 1,110,303

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23. Significant Differences between Canadian and United States Generally Accepted Accounting Principles (Continued)

(e) Effect on consolidated balance sheets and consolidated statements of earnings:

The application of U.S. GAAP would result in the following presentation of these captions on the consolidated balance sheets and consolidated statements of earnings:

	As at June 30, 2006	**As at December 31, 2005**
Term debt	$ 289,590	$ 297,623
Net future income tax liabilities	$ 64,884	$ 74,910

	3 months ended June 30, 2006	**3 months ended June 30, 2005**	**6 months ended June 30, 2006**	**6 months ended June 30, 2005**
Tax provision	$ 35,481	$ 7,987	$ 28,870	$ 4,537
Interest and financing charges	$ 16,306	$ 8,543	$ 24,171	$ 14,240

(f) Other disclosures:

(i) Accounting for employee stock options:

Prior to fiscal 2003, the Company, as permitted under SFAS No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), accounted for stock options using the intrinsic value method and was required to disclose pro forma earnings and earnings per share information as if the Company had accounted for its employee stock options issued in 1995 and subsequent years under the fair value method.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure (SFAS No. 148). An amendment of FASB No. 123, SFAS No. 148 amended the transitional provisions of SFAS No. 123 for entities choosing to recognize stock-based compensation under the fair value-based method of SFAS No. 123, rather than electing to continue to follow the intrinsic value method. Under SFAS No. 148, the Company could have adopted the recommendations of SFAS No. 123 either (a) prospectively to awards granted or modified after the beginning of the year of adoption, (b) retroactively with restatement for awards granted or modified since January 1, 1995, or (c) prospectively to awards granted or modified since January 1, 1995. Effective October 1, 2002, the Company elected to expense employee stock-based compensation using the fair value method prospectively for all awards granted after October 1, 2002.

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23. Significant Differences between Canadian and United States Generally Accepted Accounting Principles (Continued)

Had the Company applied the fair value-based method to all stock options outstanding at the date of adoption, the Company s net earnings (loss) and earnings (loss) per share would have been reduced to the pro forma amounts indicated below:

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Net earnings (loss) in accordance with U.S. GAAP	$ (41,461)	$ 18,583	$ (61,077)	$ 7,188
Pro forma stock-based compensation expense	(128)	(136)	(252)	(272)
Pro forma net earnings (loss)	$ (41,589)	$ 18,447	$ (61,329)	$ 6,916
Basic earnings (loss) per share:				
As reported	$ (0.44)	$ 0.20	$ (0.65)	$ 0.08
Pro forma	(0.45)	0.20	(0.66)	0.07
Diluted earnings (loss) per share:				
As reported	(0.44)	0.20	(0.65)	0.08
Pro forma	(0.45)	0.20	(0.66)	0.07

(ii) New accounting pronouncements:

In May 2005, FASB issued SFAS No. 154, Accounting Changes and Error Corrections (SFAS No. 154). SFAS No. 154 replaces APB Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS No. 154 requires that a voluntary change in an accounting principle be applied retrospectively with all prior period financial statements presented using the new accounting principle. SFAS No. 154 also requires that a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for prospectively as a change in estimate, and correction of errors in previously issued financial statements should be termed a restatement. SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The implementation of SFAS No. 154 has not had a material impact on the Company s consolidated financial statements.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes. This interpretation prescribes a recognition threshold and measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. At this time, the CICA has indicated that Canadian GAAP will not seek to conform to the exact guidance mandated in FIN 48. Therefore, future differences may exist between Canadian and U.S. GAAP for the accounting for uncertain tax positions. The Company is currently assessing the impact of FIN 48 on its results under U.S. GAAP.

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24. Plan of Arrangement with Georgia Gulf Corporation

On June 9, 2006, the Company entered into an Arrangement Agreement (Arrangement) with Georgia Gulf pursuant to which Georgia Gulf will acquire all of the common shares of Royal Group at a price of $13.00 (CAD) per share. The Company had been involved in a sale process since May 25, 2005, when its Board of Directors announced that it would open a data room and solicit bids from a broad group of potential acquirers. Royal Group s Board of Directors acting on the unanimous recommendation of the special committee of independent directors for the previously announced sale process, unanimously approved the transaction and determined that the transaction was fair to the Company s shareholders and was in the best interests of the company. The Board of Directors recommended that Royal Group shareholders vote in favour of the transaction.

On August 4, 2006, the shareholders of the Company voted and approved the Arrangement with Georgia Gulf and Georgia Gulf will acquire all the outstanding common shares. The Company expects the transaction will close in September 2006.

The Arrangement is conditional upon receipt of all approvals under the Competition Act (Canada), the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended from time to time, and the Investment Canada Act (Canada). The Company anticipates that the approvals will be received by the end of September 2006.

As a result of the shareholder approval of the Arrangement with Georgia Gulf, certain of the Company s agreements contain change of control provisions that are enacted.

i. Management Incentive Plans

The Company has two management incentive plans that provide incentives to executives and other key employees of the Company:

(i) Long-Term Incentive Plan Cash Award

(ii) Senior Management Incentive Plan Restricted Share Units

These incentive plans provide for awards, in cash or restricted share units, as applicable, that vest at the end of three years if pre-determined corporate financial targets, as approved by the Company, are met. Upon the acquisition of common shares of the Company, which results in an acquirer beneficially owning in excess of 50% of the outstanding common shares of the Company, all of the outstanding awards will be subject to accelerated vesting, without regard to the conditions relating to financial performance.

The Long-Term Incentive Plan stipulates that thirty percent of the outstanding grants will accelerate and vest immediately upon a change in control of the Company. This will result in a payout of $9,738, of which $609 is currently accrued in the Company s financial statements. The remaining unvested grants will be cancelled and forfeited and the Long-Term Incentive Plan will be terminated.

The Senior Management Incentive Plan stipulates that either thirty or fifty percent of the employee s outstanding RSUs will accelerate and vest immediately upon a change in control of the Company. However, the Arrangement with Georgia Gulf, requires the Company to cancel all issued and outstanding RSUs immediately prior to the effective date of the change in control, whether vested or unvested in

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24. Plan of Arrangement with Georgia Gulf Corporation (Continued)

exchange for a cash payment equal to $13.00 per RSU. This will result in a payout of approximately $14,365, of which $6,630 is currently accrued in the Company s Financial Statements. The Senior Management Incentive Plan will then be terminated.

ii. Stock Option Plan

The Company maintains a stock option plan to allow management and key operating personnel to purchase common shares. The Arrangement with Georgia Gulf requires the Company to cancel all issued and outstanding options immediately prior to the effective date of the change in control, whether vested or unvested, in exchange for a cash payment to the option holder equal to the amount if any, by which $13.00 exceeds the exercise price payable under such option. This will result in 145,000 options qualifying for an aggregate cash payout of $300, which is not currently accrued in the Company s financial statements. The remaining 2,116,000 options that did not qualify for the cash payment will be cancelled. The Stock Option Plan will then be terminated.

iii. Employment Agreements

Certain executive officers have written employment agreements with the Company that require the Company to pay termination payments to such officers in the event of termination of employment following a change in control in the Company. No amount is currently accrued in the Company s financial statements for these termination payments.

iv. Term Debt and Bank Indebtedness

The Company s debt agreements, including those related to its syndicated revolving credit facility, the Series A, Series B and Series D Senior Unsecured Notes, and the Medium Term Notes, include provisions under which the lenders may require repayment of the outstanding debt in the event of a change in control of the Company.

25. Subsequent Events

In addition to the events related to the Arrangement with Georgia Gulf Corporation discussed in note 24, the following material events have occurred subsequent to June 30, 2006.

(a) Restructuring Activity

On July 6, 2006, the Company completed the sale of Royal Building Systems Argentina. The assets and liabilities of the business was reclassified as held for sale at June 30, 2006 and December 31, 2005 and its financial results were segregated and presented separately as discontinued operations for both the three and six month periods ended June 30, 2006 and June 30, 2005.

(b) Tech-Wood USA, LLC

On July 27 2006, the Company decided not to proceed further with the acquisition of Tech-Wood USA, LLC (Tech-Wood), a U.S. start-up company, which has a patented polymer and wood-fiber technology for manufacturing wood-polymer composite products such as decking, fencing, railing and other building materials. At June 30, 2006, the Company had deferred $1,235 in costs related to its investment in Tech-Wood.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers.

Set forth below is a description of the Certificate of Incorporation of Georgia Gulf Corporation (the Company), the Bylaws of the Company, and the Delaware General Corporation Law. This description is intended as a summary only and is qualified in its entirety by reference to such Certificate of Incorporation, Bylaws, and the Delaware General Corporation Law.

Article XIII of the Company s Certificate of Incorporation provides that to the fullest extent permitted by the Delaware General Corporation Law, a director of the Company will not be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director s duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transactions from which the director derived any improper personal benefit.

The Company s Bylaws (Article XIII) provide that the Company will indemnify any person who was or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company), by reason of the fact that he is or was a director or officer of the Company or is or was serving at the request of the Company as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against all expenses (including attorney s fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

With respect to indemnification of officers and directors, Section 145 of the Delaware General Corporation Law provides that a corporation will have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney s fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Under this provision of the Delaware General Corporation Law, the termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, will not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Furthermore, the Delaware General Corporation Law provides that a corporation will have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney s fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification will be made in respect to any claim, issue or matter as to which such person will have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought will determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such court will deem proper.

Section 145(g) of the Delaware General Corporation Law provides that a corporation will have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of Section 145.

The Company maintains several directors and officers liability policies which, subject to the terms and exclusions of the policies, cover any claim or claims made during the period the policies are in force, against all persons who were, now are or will be duly elected directors or officers of the Company for any actual or alleged error or misstatement or misleading statement or act or omission or neglect or breach of duty by such persons insured while acting in their individual or collective capacities, on any matter, nor excluded by the terms and conditions of the policies, claimed against them solely by reason of their being directors or officers of the Company.

Item 21. Exhibits and Financial Statement Schedules.

(a) Exhibits.

The following exhibits are filed as part of this Form S-4:

Exhibit No.	**Description**
**4.1	Registration Rights Agreement, dated October 3, 2006, among Georgia Gulf Corporation, each of the Guarantors party thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Lehman Brothers Inc., and Banc of America Securities LLC, as Representatives of the initial purchasers named in Schedule B.
5.1	Opinion of Jones Day regarding validity.
5.2	Opinion of Honigman Miller Schwartz and Cohn LLP regarding validity.
12	Statement regarding computation of earnings to fixed charges.
23.1	Consent of Jones Day (included in Exhibit 5.1).
23.2	Consent of Deloitte & Touche LLP.
23.3	Consent of KPMG LLP.
23.4	Consent of Honigman Miller Schwartz and Cohn LLP (included in Exhibit 5.2).
**24.1	Powers of Attorney for Georgia Gulf Corporation.
**24.2	Powers of Attorney for Georgia Gulf Chemicals & Vinyls, LLC and Georgia Gulf Lake Charles, LLC.
**24.3	Powers of Attorney for Great River Oil & Gas Corporation.
**24.4	Powers of Attorney for Rome Delaware Corp.
**24.5	Powers of Attorney for Royal Plastics Group (USA) Limited and Roybridge Investments (USA) Limited.
**24.6	Powers of Attorney for Plastic Trends Inc.
**25	Statement of Eligibility of Trustee on Form T-1 under the Trust Indenture Act of 1939, as amended, of the trustee under the Senior Indenture and the Subordinated Indenture.
**99.1	Letter of Transmittal Senior Notes.
**99.2	Letter of Transmittal Subordinated Notes.

The following exhibit is incorporated by reference to Georgia Gulf s Form 8-K dated May 16, 2007:

Exhibit No.	**Description**
*10.1	Georgia Gulf Corporation Executive and Key Employee Change of Control Severance Plan.

The following exhibit is incorporated by reference to Georgia Gulf s Form 8-K dated May 14, 2007:

Exhibit No.	**Description**
10.1	Third Amendment to Credit Agreement and Waiver, dated May 10, 2007, among Georgia Gulf Corporation and Royal Group, as Borrowers, certain subsidiaries of Georgia Gulf Corporation from time to time party thereto, as Guarantors, Bank of America, National Association, as Domestic Administrative Agent and the other lenders party thereto.

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The following exhibit is incorporated by reference to Annex A to Georgia Gulf s proxy statement in connection with its 2007 annual meeting of stockholders, filed in definitive form on April 18, 2007:

Exhibit No.	Description
*10.1	Second Amended and Restated 2002 Equity and Performance Incentive Plan.

The following exhibits are incorporated by reference to Georgia Gulf s Form 10-K dated March 30, 2007:

Exhibit No.	Description
*10.1	Description of the 2007 Management Incentive Bonus Plan.
*10.2	Description of Deferred Compensation Plan.
21	Subsidiaries of Registrant.

The following exhibit is incorporated by reference to Georgia Gulf s Form 8-K dated March 15, 2007:

Exhibit No.	Description
10.1	Second Amendment to Credit Agreement and Waiver dated as of March 14, 2007, among Georgia Gulf Corporation and Royal Group, as Borrowers, certain subsidiaries of Georgia Gulf Corporation from time to time party thereto, as Guarantors, Bank of America, National Association, as Domestic Administrative Agent and the other lenders party thereto.

The following exhibits are incorporated by reference to Georgia Gulf s Form 8-K dated October 6, 2006:

Exhibit No.	Description
4.1	Indenture, dated as of October 3, 2006, among Georgia Gulf Corporation, each of the Guarantors party thereto, and LaSalle Bank National Association, as Trustee, relating to the 9.5% Senior Notes due 2014.
4.2	Indenture, dated as of October 3, 2006, among Georgia Gulf Corporation, each of the Guarantors party thereto, and LaSalle Bank National Association, as Trustee, relating to the 10.75% Senior Notes due 2016.
4.3	Credit Agreement, dated as of October 3, 2006, among Georgia Gulf Corporation and Royal Group Technologies Limited, as Borrowers, certain subsidiaries of Georgia Gulf Corporation from time to time party thereto, as Guarantors, Bank of America, National Association, as Domestic Administrative Agent, Domestic Collateral Agent and Domestic L/C Issuer, Bank of America, National Association, acting through its Canada branch as Canadian Administrative Agent, Canadian Collateral Agent and Canadian L/C Issuer, and The Bank of Nova Scotia, as Canadian Swing Line Lender, Merrill Lynch Capital Corporation and Lehman Commercial Paper Inc., as Co-Syndication Agents, and Wachovia Bank, National Association, as Co-Documentation Agent, and the other lenders party thereto, Banc of America Securities LLC, and J.P. Morgan Securities Inc., as Joint Lead Arrangers, and Banc of America Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Lehman Brothers Inc. and J.P. Morgan Securities Inc., as Joint Book Runners.

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The following exhibits are incorporated by reference to Georgia Gulf s Form 8-K dated September 21, 2006:

Exhibit No.	Description
10.1	Third Amendment to Amended and Restated Receivables Purchase Agreement, dated as of September 18, 2006, among GGRC Corp., as Seller, Georgia Gulf Corporation and Georgia Gulf Chemicals and Vinyls, LLC, as Initial Servicers, Blue Ridge Asset Funding Corporation, as a Purchaser, Victory Receivables Corporation, as a Purchaser, Wachovia Bank, National Association, as Administrative Agent and Blue Ridge Purchaser Agent, and the Bank of Tokyo-Mitsubishi, Ltd., New York Branch, as Victory Purchaser Agent.
10.2	Third Amendment to Receivables Sale Agreement, dated as of September 18, 2006, among Georgia Gulf Corporation, as a Seller, Georgia Gulf Chemicals & Vinyls, LLC, as a Seller, Georgia Gulf Lake Charles, LLC, as a Seller, and GGRC Corp.

The following exhibit is incorporated by reference to Georgia Gulf s Form 8-K dated June 9, 2006:

Exhibit No.	Description
2	Arrangement Agreement, dated June 9, 2006, between Rome Acquisition Corp. and Royal Group Technologies Limited.

The following exhibits are incorporated by reference to Georgia Gulf s Form 8-K dated March 23, 2006:

Exhibit No.	Description
*10.1	Form of 2006 Restricted Shares Units Agreement.
*10.2	Form of 2006 Nonqualified Stock Option Agreement.
*10.3	Form of 2006 Nonqualified Stock Option Agreement for Non-Employee Directors.

The following exhibit is incorporated by reference to Georgia Gulf s Form 10-K for the year ended December 31, 2005, filed March 1, 2006:

Exhibit No.	Description
*10	Description of the 2006 Management Incentive Bonus Plan.

The following exhibit is incorporated by reference to Georgia Gulf s Form 8-K dated October 4, 2005:

Exhibit No.	Description
10.1	Second Amendment to Amended and Restated Receivables Purchase Agreement, dated September 30, 2005, among GGRC Corp., as Seller, Georgia Gulf Corporation and Georgia Gulf Chemicals and Vinyls, LLC, as Initial Servicers, Blue Ridge Asset Funding Corporation, as a Purchaser, Victory Receivables Corporation, as a Purchaser, Wachovia Bank, National Association, as Administrative Agent and Blue Ridge Purchaser Agent, and the Bank of Tokyo-Mitsubishi, Ltd., New York Branch, as Victory Purchaser Agent.

The following exhibit is incorporated by reference to Georgia Gulf s Form 8-K dated May 23, 2005:

Exhibit No.	Description
99.1	Amended and Restated Bylaws.

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The following exhibit is incorporated by reference to Georgia Gulf s Form 8-K dated November 30, 2004:

Exhibit No.	Description
10.2	First Amendment to Amended and Restated Receivables Purchase Agreement, dated as of November 23, 2004, by and among GGRC Corp., as Seller, Georgia Gulf Corporation and Georgia Gulf Chemicals and Vinyls, LLC, as Servicers, Blue Ridge Asset Funding Corporation, as a Purchaser, Victory Receivables Corporation, as a Purchaser, Wachovia Bank, National Association, as Blue Ridge Purchaser Agent and Administrative Agent, and The Bank of Tokyo-Mitsubishi, Ltd., New York Branch, as Victory Purchaser Agent.

The following exhibits are incorporated by reference to Georgia Gulf s Form 8-K dated November 18, 2004:

Exhibit No.	Description
10.1	Amended and Restated Receivables Purchase Agreement, dated as of November 23, 2004, among GGRC Corp., as Seller, Georgia Gulf Corporation and Georgia Gulf Chemicals and Vinyls, LLC, as Initial Servicers, Blue Ridge Asset Funding Corporation, as a Purchaser, Victory Receivables Corporation, as a Purchaser, Wachovia Bank, National Association, as Administrative Agent and Blue Ridge Purchaser Agent, and The Bank of Tokyo-Mitsubishi, Ltd., New York Branch, as Victory Purchaser Agent.
10.2	First Amendment to Receivables Sale Agreement, dated as of November 12, 2004, by and among Georgia Gulf Corporation, as a Seller, Georgia Gulf Chemicals and Vinyls, LLC, as a Seller, Georgia Gulf Lake Charles, LLC, as a Seller, GGRC Corp. and Wachovia Bank, National Association, as Administrative Agent.

The following exhibits are incorporated by reference to Georgia Gulf s Form 10-Q for the quarter ended September 30, 2004, filed November 1, 2004:

Exhibit No.	Description
*10.1	Form of Georgia Gulf Corporation Termination of Split Dollar Agreement and Implementation of Bonus Policy.
*10.2	Form of Executive Nonqualified Stock Option Agreement.
*10.3	Form of Non-Employee Director Nonqualified Stock Option Agreement.
*10.4	Form of Executive Restricted Shares Agreement.
*10.5	Form of Deferred Shares Agreement.

The following exhibits are incorporated by reference to Appendices B and C to Georgia Gulf s proxy statement filed April 13, 2004:

Exhibit No.	Description
*10.1	Georgia Gulf Corporation Amended and Restated 2002 Equity and Performance Incentive Plan.
*10.2	Georgia Gulf Corporation Senior Executive Bonus Plan.

The following exhibit is incorporated by reference to Georgia Gulf s Form 8-K Report dated December 3, 2003:

Exhibit No.	**Description**
99.3	Indenture, dated as of December 3, 2003, among Georgia Gulf Corporation and its subsidiary guarantors and SunTrust Bank, as Trustee, for the issuance of 7.125 percent senior notes due 2013.

The following exhibit is incorporated by reference to Appendix A to Georgia Gulf s proxy statement filed April 10, 2002.

Exhibit No.	**Description**
*10	2002 Equity and Performance Incentive Plan.

The following exhibit is incorporated by reference to Exhibit A to Georgia Gulf s proxy statement filed April 10, 2001.

Exhibit No.	**Description**
*10	Second Amendment to Employee Stock Purchase Plan.

The following exhibit is incorporated by reference to Georgia Gulf s Form 8-A amendment filed December 13, 2000:

Exhibit No.	**Description**
4.1	Amended and Restated Rights Agreement, dated as of December 5, 2000, between Georgia Gulf and EquiServe Trust Company, N.A.

The following exhibit is incorporated herein by reference to Georgia Gulf s Form S-8 (File No. 33-59433) filed July 20, 1998:

Exhibit No.	**Description**
*4	Georgia Gulf Corporation 1998 Equity and Performance Incentive Plan.

The following exhibit is incorporated herein by reference to Georgia Gulf s Form S-8 (File No. 33-64749) filed December 5, 1995:

Exhibit No.	**Description**
*4	Georgia Gulf Corporation Employee Stock Purchase Plan.

The following exhibit is incorporated herein by reference to Georgia Gulf s 1991 Form 10-K Annual Report filed March 30, 1992:

Exhibit No.	**Description**
3(a)	Certificate of Amendment of Certificate of Incorporation.

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The following exhibits are incorporated herein by reference to Georgia Gulf s Registration Statement on Form S-1 (File No. 33-9902) declared effective on December 17, 1986:

Exhibit No.	Description
3(a)	Certificate of Agreement of Merger, with Certificate of Incorporation of Georgia Gulf as Exhibit A thereto, dated December 31, 1984, and amendments thereto.
10(g)	Agreement re: Liabilities among Georgia-Pacific, Georgia-Pacific Chemicals, Inc., and others dated, December 31, 1984.
10(v)	Salt Contract.

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* Management contract or compensatory arrangement.

** Previously filed.

Filed herewith.

(b) Financial Statements Schedules.

The following consolidated financial schedule for the years ended December 31, 2006, 2005 and 2004 is filed herewith: Schedule II Valuation and Qualifying Accounts.

Item 22. Undertakings.

(a) The undersigned registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) The undersigned registrants undertake that in a primary offering of securities of the undersigned registrants pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrants will be sellers to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrants relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrants or used or referred to by the undersigned registrants;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrants or their securities provided by or on behalf of the undersigned registrants; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrants to the purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions, or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrants hereby undertake to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act, Georgia Gulf Corporation has duly caused this amendment no. 1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 17th day of May 2007.

GEORGIA GULF CORPORATION
By: /s/ JOEL I. BEERMAN
Joel I. Beerman
Vice President, General Counsel and Secretary

Pursuant to the requirements of the Securities Act of 1933, this amendment no. 1 to the registration statement has been signed below for Georgia Gulf Corporation by the following persons in the capacities indicated and on the dates indicated.

Name	Title	Date
* Edward A. Schmitt	President, Chief Executive Officer and Director (Principal Executive Officer)	
* James T. Matthews	Vice President-Finance, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	
* John E. Akitt	Director	
* Dennis M. Chorba	Director	
* Patrick J. Fleming	Director	
* Charles L. Henry	Director	
* Jerry R. Satrum	Director	
* Yoshi Kawashima	Director	
/s/ JOEL I. BEERMAN Joel I. Beerman	Attorney-in-Fact	May 17, 2007

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Georgia Gulf Chemicals & Vinyls, LLC and Georgia Gulf Lake Charles, LLC have duly caused this amendment no. 1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 17th day of May 2007.

GEORGIA GULF CHEMICALS & VINYLS, LLC
GEORGIA GULF LAKE CHARLES, LLC
By: /s/ JOEL I. BEERMAN
Joel I. Beerman
Vice President, General Counsel and Secretary

Pursuant to the requirements of the Securities Act of 1933, this amendment no. 1 to the registration statement has been signed below for Georgia Gulf Chemicals & Vinyls, LLC and Georgia Gulf Lake Charles, LLC by the following persons in the capacities indicated and on the dates indicated.

Name	Title	Date
* (Edward A. Schmitt)	President, Chief Executive Officer and Manager (Principal Executive Officer)	
* (James T. Matthews)	Vice President, Chief Financial Officer and Manager (Principal Financial and Accounting Officer)	
* (Joel I. Beerman)	Vice President, General Counsel, Secretary and Manager	
/s/ JOEL I. BEERMAN Joel I. Beerman	Attorney-in-Fact	May 17, 2007

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Great River Oil & Gas Corporation has duly caused this amendment no. 1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 17th day of May 2007.

GREAT RIVER OIL & GAS CORPORATION

By: /s/ JOEL I. BEERMAN
Joel I. Beerman
Vice President and Secretary

Pursuant to the requirements of the Securities Act of 1933, this amendment no. 1 to the registration statement has been signed below for Great River Oil & Gas Corporation by the following persons in the capacities indicated and on the dates indicated.

Name	Title	Date
* (Edward A. Schmitt)	President (Principal Executive Officer)	
* (James T. Matthews)	Vice President and Treasurer (Principal Financial and Accounting Officer)	
* (Joel I. Beerman)	Vice President, Secretary and Director	
/s/ JOEL I. BEERMAN Joel I. Beerman	Attorney-in-Fact	May 17, 2007

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Rome Delaware Corp. has duly caused this amendment no. 1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 17th day of May 2007.

ROME DELAWARE CORP.

By: /s/ JOEL I. BEERMAN
Joel I. Beerman
Vice President and Secretary

Pursuant to the requirements of the Securities Act of 1933, this amendment no. 1 to the registration statement has been signed below for Rome Delaware Corp. by the following persons in the capacities indicated and on the dates indicated.

Name	Title	Date
* (Edward A. Schmitt)	President and Chief Executive Officer (Principal Executive Officer)	
* (James T. Matthews)	Vice President and Treasurer (Principal Financial and Accounting Officer)	
* (Joel I. Beerman)	Vice President, Secretary and Director	
/s/ JOEL I. BEERMAN Joel I. Beerman	Attorney-in-Fact	May 17, 2007

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Royal Plastics Group (USA) Limited and Roybridge Investments (USA) Limited have duly caused this amendment no. 1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 17th day of May 2007.

ROYAL PLASTICS GROUP (USA) LIMITED
ROYBRIDGE INVESTMENTS (USA) LIMITED

By: /s/ JOEL I. BEERMAN
Joel I. Beerman
Vice President

Pursuant to the requirements of the Securities Act of 1933, this amendment no. 1 to the registration statement has been signed below for Royal Plastics Group (USA) Limited and Roybridge Investments (USA) Limited by the following persons in the capacities indicated and on the dates indicated.

Name	Title	Date
* (Edward A. Schmitt)	President and Chief Executive Officer (Principal Executive Officer)	
* (James T. Matthews)	Vice President (Principal Financial and Accounting Officer)	
* (Joel I. Beerman)	Vice President and Director	
/s/ JOEL I. BEERMAN Joel I. Beerman	Attorney-in-Fact	May 17, 2007

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Plastic Trends, Inc. has duly caused this amendment no. 1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 17th day of May 2007.

PLASTIC TRENDS, INC.	
By:	/s/ JOEL I. BEERMAN Joel I. Beerman *Vice President*

Pursuant to the requirements of the Securities Act of 1933, this amendment no. 1 to the registration statement has been signed below for Plastic Trends, Inc. by the following persons in the capacities indicated and on the dates indicated.

Name	Title	Date
* (Edward A. Schmitt)	Chief Executive Officer and Director (Principal Executive Officer)	
* (James T. Matthews)	Vice President (Principal Financial and Accounting Officer)	
/s/ JOEL I. BEERMAN Joel I. Beerman	Attorney-in-Fact	May 17, 2007

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Exhibit Index

Exhibit No.	**Description**
5.1	Opinion of Jones Day regarding validity.
5.2	Opinion of Honigman Miller Schwartz and Cohn LLP.
12	Statement regarding computation of earnings to fixed charges.
23.2	Consent of Deloitte & Touche LLP.
23.3	Consent of KPMG LLP.