

Tredegar Corporation
Condensed Consolidated Statements of Income
(In Thousands, Except Per-Share Data)
(Unaudited)

	Second Quarter Ended		Six Months Ended	
	June 30		June 30	
	2004	2003	2004	2003
Sales	\$ 216,053	\$ 181,574	\$ 411,972	\$ 363,619
Other income (expense), net	352	428	6,458	1,151
	<u>216,405</u>	<u>182,002</u>	<u>418,430</u>	<u>364,770</u>
Cost of goods sold	177,483	149,836	341,227	299,337
Freight	5,468	4,532	10,295	8,720
Selling, R&D and general expenses	18,623	17,389	36,567	35,580
Amortization of intangibles	67	67	134	134
Interest expense	598	1,683	1,521	3,786
Plant shutdowns, asset impairments and restructurings (a)	6,004	5,882	16,787	5,967
Unusual items (b)	-	-	-	1,067
	<u>208,243</u>	<u>179,389</u>	<u>406,531</u>	<u>354,591</u>
Income before income taxes	8,162	2,613	11,899	10,179
Income taxes	2,983	932	4,291	3,639
Income from continuing operations	5,179	1,681	7,608	6,540
Discontinued operations (c):				
Loss from venture capital investment activities (including an after-tax loss on the sale of the venture capital investment portfolio of \$49.2 million in 2003)	-	-	-	(49,516)
Gain on the sale of intellectual property of Molecumetics in 2003	-	891	-	891
	<u>-</u>	<u>891</u>	<u>-</u>	<u>891</u>
Net income (loss) (a) (b) (c) (d)	<u>\$ 5,179</u>	<u>\$ 2,572</u>	<u>\$ 7,608</u>	<u>\$ (42,085)</u>
Earnings (loss) per share:				
Basic:				
Continuing operations	\$.14	\$.04	\$.20	\$.17
Discontinued operations	-	.02	-	(1.28)
Net income (loss)	<u>\$.14</u>	<u>\$.06</u>	<u>\$.20</u>	<u>\$ (1.11)</u>
Diluted:				
Continuing operations	\$.14	\$.04	\$.20	\$.17
Discontinued operations	-	.02	-	(1.26)
Net income (loss)	<u>\$.14</u>	<u>\$.06</u>	<u>\$.20</u>	<u>\$ (1.09)</u>
Shares used to compute earnings (loss) per share:				
Basic	38,235	38,047	38,232	38,113
Diluted	38,427	38,418	38,431	38,498

Tredegar Corporation
Net Sales and Operating Profit by Segment
(In Thousands)
(Unaudited)

	Second Quarter Ended		Six Months Ended	
	June 30		June 30	
	2004	2003	2004	2003
Net Sales				
Film Products	\$ 101,484	\$ 88,410	\$ 197,370	\$ 181,794
Aluminum Extrusions	108,981	88,632	204,176	173,105
Therics	120	-	131	-
Total net sales	<u>210,585</u>	<u>177,042</u>	<u>401,677</u>	<u>354,899</u>
Add back freight	<u>5,468</u>	<u>4,532</u>	<u>10,295</u>	<u>8,720</u>
Sales as shown in the Consolidated Statements of Income	<u>\$ 216,053</u>	<u>\$ 181,574</u>	<u>\$ 411,972</u>	<u>\$ 363,619</u>
Operating Profit				
Film Products:				
Ongoing operations	\$ 10,863	\$ 10,104	\$ 20,887	\$ 24,032
Plant shutdowns, asset impairments and restructurings (a)	(4,834)	(2,609)	(6,037)	(2,694)
Aluminum Extrusions:				
Ongoing operations	8,281	4,855	11,964	6,066
Plant shutdowns, asset impairments and restructurings (a)	(146)	(388)	(9,726)	(388)
Therics:				
Ongoing operations	(2,543)	(3,306)	(5,034)	(6,603)
Restructurings (a)	(1,024)	(1,704)	(1,024)	(1,704)
Unusual items (b)	-	-	-	(1,067)
Total	<u>10,597</u>	<u>6,952</u>	<u>11,030</u>	<u>17,642</u>
Interest income	72	409	146	833
Interest expense	598	1,683	1,521	3,786
Gain on sale of corporate assets (b)	413	-	6,547	-
Corporate expenses, net	<u>2,322</u>	<u>3,065</u>	<u>4,303</u>	<u>4,510</u>
Income before income taxes	<u>8,162</u>	<u>2,613</u>	<u>11,899</u>	<u>10,179</u>
Income taxes	<u>2,983</u>	<u>932</u>	<u>4,291</u>	<u>3,639</u>
Income from continuing operations	<u>5,179</u>	<u>1,681</u>	<u>7,608</u>	<u>6,540</u>
Income (loss) from discontinued operations (c)	-	891	-	(48,625)
Net income (loss) (a) (b) (c) (d)	<u>\$ 5,179</u>	<u>\$ 2,572</u>	<u>\$ 7,608</u>	<u>\$ (42,085)</u>

Tredegar Corporation
Condensed Consolidated Balance Sheets
(In Thousands)
(Unaudited)

	June 30, 2004	December 31, 2003
	<u> </u>	<u> </u>
Assets		
Cash & cash equivalents	\$ 19,168	\$ 19,943
Accounts & notes receivable	112,800	84,110
Income taxes recoverable	2,863	61,508
Inventories	48,860	49,572
Deferred income taxes	12,437	10,998
Prepaid expenses & other	5,532	5,015
Total current assets	<u>201,660</u>	<u>231,146</u>
Property, plant & equipment, net	293,460	297,476
Other assets	81,447	83,855
Goodwill & other intangibles	139,837	140,548
Total assets	<u>\$ 716,404</u>	<u>\$ 753,025</u>
Liabilities and Shareholders' Equity		
Accounts payable	\$ 59,848	\$ 46,706
Accrued expenses	46,124	42,456
Current portion of long-term debt	11,250	8,750
Total current liabilities	<u>117,222</u>	<u>97,912</u>
Long-term debt	77,530	130,879
Deferred income taxes	62,782	66,276
Other noncurrent liabilities	10,713	10,559
Shareholders' equity	448,157	447,399
Total liabilities and shareholders' equity	<u>\$ 716,404</u>	<u>\$ 753,025</u>

Tredegar Corporation
Condensed Consolidated Statement of Cash Flows
(In Thousands)
(Unaudited)

	Six Months Ended	
	June 30	
	2004	2003
Cash flows from operating activities:		
Net income (loss)	\$ 7,608	\$ (42,085)
Adjustments for noncash items:		
Depreciation	16,162	15,669
Amortization of intangibles	134	134
Deferred income taxes	(2,365)	33,365
Accrued pension income and postretirement benefits	(2,042)	(2,204)
Loss on venture capital investments	-	70,256
Gain on sale of corporate assets	(6,547)	-
Loss on asset impairments and divestitures	12,476	2,023
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts and notes receivables	(29,774)	6,352
Inventories	72	(175)
Income taxes recoverable	58,633	(47,148)
Prepaid expenses and other	(622)	25
Accounts payable	13,824	6,129
Accrued expenses	3,018	4,388
Other, net	(1,506)	704
Net cash provided by operating activities	69,071	47,433
Cash flows from investing activities:		
Capital expenditures	(24,737)	(26,083)
Venture capital investments	-	(2,807)
Proceeds from sale of venture capital investments	-	21,504
Proceeds from the sale of corporate assets and property disposals	7,829	-
Other, net	521	(116)
Net cash used in investing activities	(16,387)	(7,502)
Cash flows from financing activities:		
Dividends paid	(3,068)	(3,050)
Net decrease in borrowings	(50,849)	(29,188)
Repurchase of Tredegar common stock	-	(5,170)
Proceeds from exercise of stock options	458	623
Net cash used in financing activities	(53,459)	(36,785)
(Decrease) increase in cash and cash equivalents	(775)	3,146
Cash and cash equivalents at beginning of period	19,943	109,928
Cash and cash equivalents at end of period	\$ 19,168	\$ 113,074

Selected Financial Measures
(In Millions)
(Unaudited)

	For the Twelve Months Ended June 30, 2004			
	Film Products	Aluminum Extrusions	Therics	Total
Operating profit (loss) from ongoing operations	\$ 42.5	\$ 21.0	\$ (10.1)	\$ 53.4
Allocation of corporate overhead	(5.5)	(2.8)	-	(8.3)
Add back depreciation and amortization	20.4	11.0	1.5	32.9
Adjusted EBITDA (e)	\$ 57.4	\$ 29.2	\$ (8.6)	\$ 78.0

Selected balance sheet and other data as of June 30, 2004:

Cash invested to date in Therics	\$	69.4
Net debt (f)	\$	69.6
Shares outstanding		38.4

Notes to the Financial Tables

(a) Plant shutdowns, asset impairments and restructurings in the second quarter of 2004 include:

- A pretax charge of \$2.7 million for impairment of the films business in Argentina;
- Pretax charges of \$994,000 related to accelerated depreciation from plant shutdowns and restructurings in Film Products;
- A pretax charge of \$879,000 related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey;
- Pretax charges of \$575,000 in Film Products and \$146,000 in Aluminum Extrusions related to asset impairments;
- A pretax charge of \$300,000 related to severance and other employee-related costs associated with the planned shutdown of the films manufacturing facility in New Bern, North Carolina;
- A pretax charge of \$300,000 related to the estimated loss on the sale of the previously shutdown films manufacturing facility in Manchester, Iowa; and
- A pretax charge of \$145,000 related to severance costs in Therics.

Plant shutdowns, asset impairments and restructurings in the first six months of 2004 include:

- A pretax charge of \$9.6 million related to the planned shutdown of an aluminum extrusions facility in Aurora, Ontario, including asset impairment charges of \$7.1 million and severance and other employee-related costs of \$2.5 million;
- A pretax charge of \$2.7 million for impairment of the films business in Argentina;
- Pretax charges of \$1.7 million related to accelerated depreciation from plant shutdowns and restructurings in Film Products;
- A pretax charge of \$879,000 related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey;
- Pretax charges of \$575,000 in Film Products and \$146,000 in Aluminum Extrusions related to asset impairments;
- Pretax charges of \$837,000 related to severance and other employee-related costs associated with the planned shutdown of the film manufacturing facility in New Bern, North Carolina;
- A pretax charge of \$300,000 related to the estimated loss on the sale of the previously shutdown films manufacturing facility in Manchester, Iowa; and
- A pretax charge of \$145,000 related to severance costs in Therics.

Plant shutdowns, asset impairments and restructurings in the second quarter of 2003 include:

- Pretax charges for severance costs in connection with restructurings in Film Products (\$1.6 million), Therics (\$1.2 million) and at corporate headquarters (\$1.2 million; included in "Corporate expenses, net" in the Operating Profit by Segment table);
- A pretax charge of \$956,000 for asset impairments in Film Products;
- A pretax charge of \$388,000 related to an early retirement program in Aluminum Extrusions;
- A pretax charge of \$549,000 related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey; and
- Pretax charge of \$53,000 for additional costs incurred related to a previously announced plant shutdown in Film Products.

Plant shutdowns, asset impairments and restructurings in the first six months of 2003 include:

- Pretax charges for severance costs in connection with restructurings in Film Products (\$1.6 million), Therics (\$1.2 million) and at corporate headquarters (\$1.2 million; included in "Corporate expenses, net" in the Operating Profit by Segment table);
- A pretax charge of \$956,000 for asset impairments in Film Products;
- A pretax charge of \$388,000 related to an early retirement program in Aluminum Extrusions;
- A pretax charge of \$549,000 related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey; and
- Pretax charges of \$138,000 for additional costs incurred related to previously announced plant shutdowns in Film Products.

- (b) Unusual items in 2003 include a first-quarter pretax charge of \$1.1 million related to an adjustment for depreciation at Therics based on Tredegar's decision to suspend divestiture efforts.

Gain on the sale of corporate assets in 2004 include gains of \$6.1 million related to the sale of public equity securities and \$413,000 on the sale of corporate real estate. There were no public equity securities held at June 30, 2004.

- (c) On March 7, 2003, Tredegar announced that Tredegar Investments had reached definitive agreements to sell substantially all of its venture capital investment portfolio. The operating results associated with venture capital investment activities have been reported as discontinued operations. Discontinued operations for 2003 also include a gain of \$891,000 after-taxes on the sale of intellectual property of Molecumetics and a loss on the divestiture of the venture capital investment portfolio of \$49.2 million after taxes.

Operations were ceased at Molecumetics on July 2, 2002. The operating results of Molecumetics have been reported as discontinued operations.

- (d) Comprehensive income (loss), defined as net income and other comprehensive income (loss), was income of \$4 million for the second quarter of 2004 and income of \$10.3 million for the second quarter of 2003. Comprehensive income (loss) was income of \$3 million for the first six months of 2004 and a loss of \$31.5 million for the first six months of 2003. Other comprehensive income (loss) includes changes in unrealized gains and losses on available-for-sale securities, foreign currency translation adjustments, unrealized gains and losses on derivative financial instruments and minimum pension liability recorded net of deferred taxes directly in shareholders' equity.

- (e) Adjusted EBITDA represents income from continuing operations before interest, taxes, depreciation, amortization, unusual items and losses associated with plant shutdowns, asset impairments and restructurings and gain on sale of other assets. Adjusted EBITDA is not intended to represent cash flow from operations as defined by GAAP and should not be considered as either an alternative to net income (as an indicator of operating performance) or to cash flow (as a measure of liquidity). Tredegar uses Adjusted EBITDA as a measure of unlevered (debt-free) operating cash flow. We also use it when comparing relative enterprise values of manufacturing companies and when measuring debt capacity. When comparing the valuations of a peer group of manufacturing companies, we express enterprise value as a multiple of Adjusted EBITDA. We believe Adjusted EBITDA is preferable to operating profit and other GAAP measures when applying a comparable multiple approach to enterprise valuation because it excludes depreciation and amortization, unusual items and losses associated with plant shutdowns, asset impairments and restructurings, measures of which may vary among peer companies.

- (f) Net debt is calculated as follows (in millions):

Debt	\$ 88.8
Less: cash and cash equivalents	(19.2)
Net debt	\$ 69.6