

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

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Sales	\$ 193,125	\$ 194,621	\$ 556,744	\$ 572,627
Other income (expense), net (b)	2,379	204	3,530	620
	<u>195,504</u>	<u>194,825</u>	<u>560,274</u>	<u>573,247</u>
Cost of goods sold	157,426	152,328	456,763	443,696
Freight	4,901	4,315	13,621	12,109
Selling, R&D and general expenses	17,949	17,059	53,529	52,714
Amortization of intangibles	67	11	201	89
Interest expense	1,213	2,401	4,999	6,899
Plant shutdowns, asset impairments and restructurings (a)	3,973	178	9,940	1,442
Unusual items (b)	-	-	1,067	-
	<u>185,529</u>	<u>176,292</u>	<u>540,120</u>	<u>516,949</u>
Income before income taxes	9,975	18,533	20,154	56,298
Income taxes	3,556	6,594	7,195	20,029
Income from continuing operations	6,419	11,939	12,959	36,269
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)	-	(12,725)	(49,516)	(32,054)
Loss from operations of Molecumetics (including an after-tax gain on the sale of intellectual property of \$891,000 in 2003 and a loss on disposal of \$4.9 million in 2002)	-	(975)	891	(8,728)
	<u>-</u>	<u>(975)</u>	<u>891</u>	<u>(8,728)</u>
Net income (loss) (a) (b) (c) (d)	<u>\$ 6,419</u>	<u>\$ (1,761)</u>	<u>\$ (35,666)</u>	<u>\$ (4,513)</u>
Earnings (loss) per share:				
Basic:				
Continuing operations	\$ .17	\$ .31	\$ .34	\$ .95
Discontinued operations	-	(.36)	(1.28)	(1.07)
Net income (loss)	<u>\$ .17</u>	<u>\$ (.05)</u>	<u>\$ (.94)</u>	<u>\$ (.12)</u>
Diluted:				
Continuing operations	\$ .17	\$ .30	\$ .34	\$ .93
Discontinued operations	-	(.35)	(1.26)	(1.05)
Net income (loss)	<u>\$ .17</u>	<u>\$ (.05)</u>	<u>\$ (.92)</u>	<u>\$ (.12)</u>
Shares used to compute earnings (loss) per share:				
Basic	38,058	38,334	38,094	38,258
Diluted	38,383	38,927	38,459	38,935

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

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
<b>Net Sales</b>				
Film Products	\$ 92,188	\$ 94,473	\$ 273,982	\$ 280,667
Aluminum Extrusions	96,036	95,813	269,141	279,643
Therics	-	20	-	208
Total net sales	188,224	190,306	543,123	560,518
Add back freight	4,901	4,315	13,621	12,109
Sales as shown in the Consolidated Statements of Income	<u>\$ 193,125</u>	<u>\$ 194,621</u>	<u>\$ 556,744</u>	<u>\$ 572,627</u>
<b>Operating Profit</b>				
Film Products:				
Ongoing operations	\$ 10,807	\$ 16,645	\$ 34,839	\$ 53,442
Plant shutdowns, asset impairments and restructurings (a)	(1,566)	(178)	(4,260)	(1,273)
	<u>9,241</u>	<u>16,467</u>	<u>30,579</u>	<u>52,169</u>
Aluminum Extrusions:				
Ongoing operations	6,542	8,107	12,608	23,737
Plant shutdowns, asset impairments and restructurings (a)	(256)	-	(644)	(169)
	<u>6,286</u>	<u>8,107</u>	<u>11,964</u>	<u>23,568</u>
Therics:				
Ongoing operations	(2,618)	(3,263)	(9,221)	(10,090)
Restructurings (a)	(2,151)	-	(3,855)	-
Unusual items (b)	-	-	(1,067)	-
	<u>(4,769)</u>	<u>(3,263)</u>	<u>(14,143)</u>	<u>(10,090)</u>
Total operating profit	10,758	21,311	28,400	65,647
Interest income	253	448	1,086	1,498
Interest expense	1,213	2,401	4,999	6,899
Gain on the sale of corporate assets (b)	2,231	-	2,231	-
Corporate expenses, net (a)	2,054	825	6,564	3,948
Income before income taxes	9,975	18,533	20,154	56,298
Income taxes	3,556	6,594	7,195	20,029
Income from continuing operations	6,419	11,939	12,959	36,269
Income (loss) from discontinued operations (c)	-	(13,700)	(48,625)	(40,782)
Net income (loss) (a) (b) (c) (d)	<u>\$ 6,419</u>	<u>\$ (1,761)</u>	<u>\$ (35,666)</u>	<u>\$ (4,513)</u>

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

	September 30, 2003	December 31, 2002
<b>Assets</b>		
Cash & cash equivalents	\$ 94,850	\$ 109,928
Receivable from securities brokers	554	-
Accounts & notes receivable	99,576	92,892
Income taxes recoverable	54,895	12,863
Inventories	44,372	43,969
Deferred income taxes	8,789	20,976
Prepaid expenses & other	5,569	3,962
Total current assets	<u>308,605</u>	<u>284,590</u>
Property, plant & equipment, net	281,921	250,603
Net non-current assets of Therics held for sale (b)	-	10,406
Venture capital investments (c)	-	93,765
Other assets	79,371	66,316
Goodwill & other intangibles	139,649	132,282
Total assets	<u>\$ 809,546</u>	<u>\$ 837,962</u>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable	\$ 47,939	\$ 35,861
Accrued expenses	46,651	42,409
Current portion of long-term debt	68,750	55,000
Total current liabilities	<u>163,340</u>	<u>133,270</u>
Long-term debt	148,325	204,280
Deferred income taxes	54,266	27,443
Other noncurrent liabilities	10,442	10,037
Shareholders' equity	433,173	462,932
Total liabilities and shareholders' equity	<u>\$ 809,546</u>	<u>\$ 837,962</u>

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

	Nine Months Ended September 30	
	2003	2002
Cash flows from operating activities:		
Net income (loss)	\$ (35,666)	\$ (4,513)
Adjustments for noncash items:		
Depreciation	23,818	23,937
Amortization of intangibles	201	89
Deferred income taxes	31,257	1,092
Accrued pension income and postretirement benefits	(3,996)	(7,179)
Loss on venture capital investments	70,256	45,998
Gain on sale of corporate assets	(2,231)	-
Loss on asset impairments and divestitures	2,968	7,500
Changes in assets and liabilities:		
Accounts and notes receivables	(2,674)	(16,847)
Inventories	1,202	5,617
Income taxes recoverable	(41,895)	1,232
Prepaid expenses and other	(1,423)	(679)
Accounts payable	10,323	(3,645)
Accrued expenses	4,930	(5,764)
Other, net	376	(1,044)
Net cash provided by operating activities	57,446	45,794
Cash flows from investing activities:		
Capital expenditures	(44,190)	(21,564)
Venture capital investments	(2,807)	(14,579)
Proceeds from sale of venture capital investments	21,504	6,689
Proceeds from property disposals	2,385	143
Other, net	1,600	(1,696)
Net cash used in investing activities	(21,508)	(31,007)
Cash flows from financing activities:		
Dividends paid	(4,573)	(4,600)
Net decrease in borrowings	(42,205)	(5,333)
Repurchase of Tredegar common stock	(5,170)	-
Proceeds from exercise of stock options	932	1,951
Net cash used in financing activities	(51,016)	(7,982)
(Decrease) increase in cash and cash equivalents	(15,078)	6,805
Cash and cash equivalents at beginning of period	109,928	96,810
Cash and cash equivalents at end of period	\$ 94,850	\$ 103,615

**Selected Financial Measures**  
(In Millions)  
(Unaudited)

	For the Twelve Months Ended September 30, 2003			
	Film	Aluminum	Therics	Total
	Products	Extrusions		
Total operating profit as reported	\$ 53.5	\$ 15.2	\$ (17.2)	\$ 51.5
Allocation of corporate overhead	(5.0)	(2.0)	-	(7.0)
Add back:				
Losses associated with plant shutdowns, asset impairments and restructurings	6.4	1.0	3.9	11.3
Unusual items	(6.2)	-	1.1	(5.1)
Depreciation and amortization	19.7	10.7	1.2	31.6
Adjusted EBITDA (e)	\$ 68.4	\$ 24.9	\$ (11.0)	\$ 82.3

Selected balance sheet and other data as of September 30, 2003:

Cash invested to date in Therics	\$ 62.9
Pro forma net debt (f)	\$ 67.8
Shares outstanding	38.1

Notes to the Financial Tables

(a) Plant shutdowns, asset impairments and restructurings for the first nine months of 2003 include:

- Pretax charges of \$4.5 million for severance costs in connection with restructurings: Film Products (\$1.9 million, \$321,000 in the third quarter), Aluminum Extrusions (\$256,000 in the third quarter), Therics (\$1.2 million) and at corporate headquarters (\$1.2 million; included in "Corporate expenses, net" in the Operating Profit by Segment table);
- Pretax charges of \$1.9 million (\$945,000 in the third quarter) for asset impairments in Film Products;
- A pretax charge of \$388,000 related to an early retirement program in Aluminum Extrusions;
- Pretax charges of \$2.7 million (\$2.2 million in the third quarter) related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey; and,
- Pretax charges of \$437,000 (\$300,000 in the third quarter) for additional costs incurred related to previously announced plant shutdowns in Film Products.

Plant shutdowns, asset impairments and restructurings for the first nine months of 2002 include:

- Pretax charges of \$991,000 (\$178,000 in the third quarter) related to the shutdown of the films plant in Carbondale, Pennsylvania;
- Pretax charges of \$282,000 related to the shutdown of the films plant in Tacoma, Washington; and,
- Pretax charges of \$169,000 for the shutdown of the aluminum extrusions plant in El Campo, Texas.

(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. Gains on the sale of corporate assets in 2003 include pretax gains of \$942,000 on the sale of public securities and \$1.3 million on the sale of corporate real estate.

(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.

On March 22, 2002, Tredegar announced its intent to divest its biotech operations. 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 \$10.1 million for the third quarter of 2003 and a loss of \$6.5 million for the third quarter of 2002. Comprehensive income (loss) was a loss of \$21.4 million for the first nine months of 2003 and a loss of \$13.4 million for the first nine months of 2002. 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 corporate 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) Pro forma net debt is calculated as follows (in millions):

Debt	\$ 217.1
Less:	
Cash and cash equivalents	(94.9)
Income taxes recoverable related to the sale of the venture capital investment portfolio	(54.4)
Pro forma net debt	<u>\$ 67.8</u>